

EXTENSION GRANTED TO 11/15/07

OMB No 1545-0047
2006
Open to Public Inspection

Form **990**
Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2006 calendar year, or tax year beginning and ending

B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Please use IRS label or print or type See Specific Instructions	C Name of organization		D Employer identification number
		WHATCOM MUSEUM SOCIETY INC		91-6174771
		Number and street (or P.O. box if mail is not delivered to street address) Room/suite 121 PROSPECT		E Telephone number 360 676 6981
City or town, state or country, and ZIP + 4 BELLINGHAM, WA 98225		F Accounting method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify)		

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ)

H and I are not applicable to section 527 organizations

H(a) Is this a group return for affiliates? Yes No
 H(b) If "Yes," enter number of affiliates N/A
 H(c) Are all affiliates included? N/A Yes No (If "No," attach a list.)
 H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No
 I Group Exemption Number N/A

G Website: N/A

J Organization type (check only one) 501(c) (3) (insert no) 4947(a)(1) or 527

K Check here if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 **809,310.**

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

Revenue	1 Contributions, gifts, grants, and similar amounts received:				
	a Contributions to donor advised funds	1a			
	b Direct public support (not included on line 1a)	1b	307,307.		
	c Indirect public support (not included on line 1a)	1c			
	d Government contributions (grants) (not included on line 1a)	1d	79,977.		
	e Total (add lines 1a through 1d) (cash \$ 387,284. noncash \$)	1e			387,284.
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2			60,077.
	3 Membership dues and assessments	3			77,866.
	4 Interest on savings and temporary cash investments	4			
	5 Dividends and interest from securities	5			65,612.
	6 a Gross rents	6a			
	b Less: rental expenses	6b			
c Net rental income or (loss). Subtract line 6b from line 6a	6c				
7 Other investment income (describe)	7				
8 a Gross amount from sales of assets other than inventory	(A) Securities	8a			
	(B) Other	8b			
		8c			
	d Net gain or (loss). Combine line 8c, columns (A) and (B)	8d			
9 Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>	a Gross revenue (not including \$ 0. of contributions reported on line 1b)	9a	164,414.		
	b Less: direct expenses other than fundraising expenses	9b	12,113.		
	c Net income or (loss) from special events. Subtract line 9b from line 9a	9c	SEE STATEMENT 1		152,301.
	10 a Gross sales of inventory, less returns and allowances	10a	47,251.		
b Less: cost of goods sold	10b	18,350.			
c Gross profit or (loss) from sales of inventory (attach schedule). Subtract line 10b from line 10a	10c	STMT 2		28,901.	
11 Other revenue (from Part VII, line 103)	11			6,806.	
12 Total revenue Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11	12			778,847.	
Expenses	13 Program services (from line 44, column (B))	13			343,964.
	14 Management and general (from line 44, column (C))	14			178,969.
	15 Fundraising (from line 44, column (D))	15			289,367.
	16 Payments to affiliates (attach schedule)	16			
	17 Total expenses. Add lines 16 and 44, column (A)	17			812,300.
18 Excess or (deficit) for the year. Subtract line 17 from line 12	18			<33,453.>	
19 Net assets or fund balances at beginning of year (from line 73, column (A))	19			3,773,920.	
20 Other changes in net assets or fund balances (attach explanation)	20			235,658.	
21 Net assets or fund balances at end of year. Combine lines 18, 19, and 20	21			3,976,125.	

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Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others.

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22a Grants paid from donor advised funds (attach schedule) (cash \$ <u>0</u> noncash \$ <u>0</u>) If this amount includes foreign grants, check here <input type="checkbox"/>				
22b Other grants and allocations (attach schedule) (cash \$ <u>21,061</u> noncash \$ <u>0</u>) If this amount includes foreign grants, check here <input type="checkbox"/>	21,061.	21,061.		STATEMENT 5
23 Specific assistance to individuals (attach schedule)				
24 Benefits paid to or for members (attach schedule)				
25a Compensation of current officers, directors, key employees, etc. listed in Part V-A STMT 4	138,596.	69,299.	34,649.	34,648.
b Compensation of former officers, directors, key employees, etc. listed in Part V-B	0.	0.	0.	0.
c Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
26 Salaries and wages of employees not included on lines 25a, b, and c	283,245.	111,058.	71,034.	101,153.
27 Pension plan contributions not included on lines 25a, b, and c				
28 Employee benefits not included on lines 25a - 27				
29 Payroll taxes				
30 Professional fundraising fees				
31 Accounting fees				
32 Legal fees				
33 Supplies	19,247.	15,685.	637.	2,925.
34 Telephone	1,420.	1,420.		
35 Postage and shipping	10,356.	698.	369.	9,289.
36 Occupancy	7,400.	7,400.		
37 Equipment rental and maintenance	11,045.	3,745.	371.	6,929.
38 Printing and publications	36,786.	3,857.	5,093.	27,836.
39 Travel	3,139.	815.	578.	1,746.
40 Conferences, conventions, and meetings				
41 Interest				
42 Depreciation, depletion, etc (attach schedule)	61,174.	60,490.	684.	
43 Other expenses not covered above (itemize)				
a INSURANCE	9,462.	946.	8,516.	
b OFFICE EXPENSES	2,669.	783.	315.	1,571.
c PROFESSIONAL SERVICES	157,221.	36,010.	40,813.	80,398.
d OTHER EXPENSES	15,416.	5,521.	1,810.	8,085.
e MEALS AND				
f ENTERTAINMENT	7,595.	3,573.	2,617.	1,405.
g ADVERTISING	26,468.	1,603.	11,483.	13,382.
44 Total functional expenses. Add lines 22a through 43g. (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	812,300.	343,964.	178,969.	289,367.

Joint Costs. Check if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services?

Yes No

If "Yes," enter (i) the aggregate amount of these joint costs \$ N/A ; (ii) the amount allocated to Program services \$ N/A ;

(iii) the amount allocated to Management and general \$ N/A ; and (iv) the amount allocated to Fundraising \$ N/A

Part III Statement of Program Service Accomplishments (See the instructions.)

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ► SEE STATEMENT 6	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)
All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	
a CHILDREN'S MUSEUM- ENRICHMENT OF CHILDREN'S LIVES THROUGH PARTICIPATION IN THE ARTS & SCIENCES THROUGH EXHIBITS AND PROGRAMS DESIGNED TO PROVIDE HANDS-ON ARTIFACT AND EXPERIENCE-BASED LEARNING.	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	194,552.
b ARCHIVES, COLLECTIONS & EXHIBITS - CATALOGING AND DISPLAY OF ARTWORK, PHOTOS, AND ARTIFACTS OF HISTORICAL AND/OR ARTISTIC SIGNIFICANCE.	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	23,449.
c PUBLIC EVENTS & EDUCATION- CLASSES, LECTURES, & PRESENTATIONS DESIGNED TO INFORM PARTICIPANTS ABOUT REGIONAL HISTORY & ARTISTRY, SCIENCE & THE NATURAL WORLD.	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	104,902.
d RESEARCH GRANTS - PROVIDES FUNDS NEEDED FOR RECIPIENTS TO FURTHER STUDY AND DOCUMENT IMPORTANT NATIVE AMERICAN HISTORICAL FINDINGS.	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	21,061.
e Other program services (attach schedule)	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ►	343,964.

Form 990 (2006)

Part IV Balance Sheets (See the instructions.)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year
Assets	45 Cash - non-interest-bearing	33,905.	45	50,794.
	46 Savings and temporary cash investments	343,282.	46	58,816.
	47 a Accounts receivable	47a 11,133.		
	b Less allowance for doubtful accounts	47b	47c	11,133.
	48 a Pledges receivable	48a 232,680.		
	b Less allowance for doubtful accounts	48b	48c	232,680.
	49 Grants receivable		49	
	50 a Receivables from current and former officers, directors, trustees, and key employees		50a	
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)		50b	
	51 a Other notes and loans receivable	51a		
	b Less allowance for doubtful accounts	51b	51c	
	52 Inventories for sale or use	15,741.	52	15,729.
	53 Prepaid expenses and deferred charges	8,662.	53	8,782.
	54 a Investments - publicly-traded securities <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54a	
b Investments - other securities STMT 9 <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	1,546,907.	54b	1,872,879.	
55 a Investments - land, buildings, and equipment basis	55a			
b Less accumulated depreciation	55b	55c		
56 Investments - other SEE STATEMENT 7	161,525.	56	161,525.	
57 a Land, buildings, and equipment basis	57a 2,521,461.			
b Less accumulated depreciation STMT 8	57b 924,453.	57c	1,597,008.	
58 Other assets, including program-related investments (describe <input type="checkbox"/>)		58		
59 Total assets (must equal line 74) Add lines 45 through 58	3,804,957.	59	4,009,346.	
Liabilities	60 Accounts payable and accrued expenses	31,037.	60	33,221.
	61 Grants payable		61	
	62 Deferred revenue		62	
	63 Loans from officers, directors, trustees, and key employees		63	
	64 a Tax-exempt bond liabilities		64a	
	b Mortgages and other notes payable		64b	
	65 Other liabilities (describe <input type="checkbox"/>)		65	
66 Total liabilities. Add lines 60 through 65	31,037.	66	33,221.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74			
	67 Unrestricted	2,284,287.	67	2,239,769.
	68 Temporarily restricted	927,538.	68	1,157,239.
	69 Permanently restricted	562,095.	69	579,117.
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
	73 Total net assets or fund balances. Add lines 67 through 69 or lines 70 through 72. (Column (A) must equal line 19 and column (B) must equal line 21)	3,773,920.	73	3,976,125.
	74 Total liabilities and net assets/fund balances. Add lines 66 and 73	3,804,957.	74	4,009,346.

Part VI Other Information (continued)		Yes	No
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)		
	82b		N/A
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	X	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?		N/A
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		N/A
85	501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members?		N/A
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		N/A
c	Dues, assessments, and similar amounts from members		85c N/A
d	Section 162(e) lobbying and political expenditures		85d N/A
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices		85e N/A
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)		85f N/A
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		85g N/A
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		85h N/A
86	501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12		86a N/A
b	Gross receipts, included on line 12, for public use of club facilities		86b N/A
87	501(c)(12) organizations Enter: a Gross income from members or shareholders		87a N/A
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)		87b N/A
88 a	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX		88a X
b	At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI		88b X
89 a	501(c)(3) organizations Enter: Amount of tax imposed on the organization during the year under: section 4911 <u>0.</u> ; section 4912 <u>0.</u> ; section 4955 <u>0.</u>		
b	501(c)(3) and 501(c)(4) organizations Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction		89b X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 <u>0.</u>		
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization <u>0.</u>		
e	All organizations At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?		89e X
f	All organizations Did the organization acquire a direct or indirect interest in any applicable insurance contract?		89f X
g	For supporting organizations and sponsoring organizations maintaining donor advised funds Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		89g X
90 a	List the states with which a copy of this return is filed <u>WA</u>		
b	Number of employees employed in the pay period that includes March 12, 2006	90b	21
91 a	The books are in care of <u>THE ORGANIZATION</u> Telephone no. <u>360 676 6981</u> Located at <u>121 PROSPECT, BELLINGHAM, WA</u> ZIP + 4 <u>98225</u>		
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If "Yes," enter the name of the foreign country <u>N/A</u> See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.	91b	X

Part VI Other Information (continued)

Yes No

c At any time during the calendar year, did the organization maintain an office outside of the United States?

91c Yes No

If "Yes," enter the name of the foreign country **N/A**

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here

and enter the amount of tax-exempt interest received or accrued during the tax year

92

N/A

Part VII Analysis of Income-Producing Activities (See the instructions)

Note: Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
93 Program service revenue:					
a PUBLIC EVT & ADMISSIONS					60,077.
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					77,866.
95 Interest on savings and temporary cash investments					
96 Dividends and interest from securities			14	65,612.	
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events			02	152,301.	
102 Gross profit or (loss) from sales of inventory			03	28,901.	
103 Other revenue					
a MISCELLANEOUS					6,806.
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0.		246,814.	144,749.
105 Total (add line 104, columns (B), (D), and (E))					391,563.

Note: Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions)

Line No. Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).

SEE STATEMENT 13

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?

Yes No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?

Yes No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Part XI Information Regarding Transfers To and From Controlled Entities. Complete only if the organization is a controlling organization as defined in section 512(b)(13). N/A

106 Did the reporting organization make any transfers to a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity

Table with 2 columns: Yes, No

Table with 4 columns: (A) Name, address, of each controlled entity; (B) Employer Identification Number; (C) Description of transfer; (D) Amount of transfer. Includes rows a, b, c and a Totals row.

107 Did the reporting organization receive any transfers from a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity

Table with 2 columns: Yes, No

Table with 4 columns: (A) Name, address, of each controlled entity; (B) Employer Identification Number; (C) Description of transfer; (D) Amount of transfer. Includes rows a, b, c and a Totals row.

108 Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?

Table with 2 columns: Yes, No

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here: Signature of officer (handwritten), Date 11/14/07, Type or print name and title: JEFFREY L. McCLURE, PRESIDENT

Paid Preparer's Use Only: Preparer's signature (handwritten), Date 11/12/07, Check if self-employed [X], Preparer's SSN or PTIN (See Gen Inst X) P00072967, Firm's name (or yours if self-employed), address, and ZIP + 4 ORPHALEE SMITH, CPA, P. O. BOX 2980, BELLINGHAM, WA 98227, EIN 91-1123488, Phone no.

SCHEDULE A
(Form 990 or 990-EZ)

Organization Exempt Under Section 501(c)(3)

OMB No 1545-0047

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or 4947(a)(1) Nonexempt Charitable Trust

2006

Department of the Treasury
Internal Revenue Service

Supplementary Information-(See separate instructions.)

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

Name of the organization

WHATCOM MUSEUM SOCIETY INC

Employer identification number

91 6174771

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

(See page 2 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
THOMAS LIVESAY 121 PROSPECT STREET, BELLINGHAM, WA 9	EXECUTIVE DIR 40.00	114,445.	24,151.	
Total number of other employees paid over \$50,000 ▶	0			

Part II-A Compensation of the Five Highest Paid Independent Contractors for Professional Services

(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NO ONE PAID OVER \$50,000		0.
Total number of others receiving over \$50,000 for professional services ▶	0	

Part II-B Compensation of the Five Highest Paid Independent Contractors for Other Services

(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter "None." See page 2 of the instructions.)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of other contractors receiving over \$50,000 for other services ▶	0	

Part III Statements About Activities (See page 2 of the instructions.)

		Yes	No
1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ► \$ _____ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes" must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.		X
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)		
a	Sale, exchange, or leasing of property?		X
b	Lending of money or other extension of credit?		X
c	Furnishing of goods, services, or facilities?		X
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? SEE STATEMENT 15	X	
e	Transfer of any part of its income or assets?		X
3 a	Did the organization make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how the organization determines that recipients qualify to receive payments.) SEE STATEMENT 14	X	
b	Did the organization have a section 403(b) annuity plan for its employees?		X
c	Did the organization receive or hold an easement for conservation purposes, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," attach a detailed statement		X
d	Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services?		X
4 a	Did the organization maintain any donor advised funds? If "Yes," complete lines 4b through 4g. If "No," complete lines 4f and 4g		X
b	Did the organization make any taxable distributions under section 4966?		X
c	Did the organization make a distribution to a donor, donor advisor, or related person?		X
d	Enter the total number of donor advised funds owned at the end of the tax year	►	0
e	Enter the aggregate value of assets held in all donor advised funds owned at the end of the tax year	►	0.
f	Enter the total number of separate funds or accounts owned at the end of the year (excluding donor advised funds included on line 4d) where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts	►	0.
g	Enter the aggregate value of assets in all funds or accounts included on line 4f at the end of the tax year	►	0.

Part IV Reason for Non-Private Foundation Status (See pages 4 through 7 of the instructions.)

I certify that the organization is not a private foundation because it is. (Please check only **ONE** applicable box.)

- 5 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6 A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8 A federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state **▶** _____
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12 An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and otherwise meets the requirements of section 509(a)(3). Check the box that describes the type of supporting organization:
 Type I Type II Type III-Functionally Integrated Type III-Other

Provide the following information about the supported organizations. (See page 7 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Employer identification number (EIN)	(c) Type of organization (described in lines 5 through 12 above or IRC section)	(d) Is the supported organization listed in the supporting organization's governing documents?		(e) Amount of support
			Yes	No	
Total ▶					

- 14 An organization organized and operated to test for public safety. Section 509(a)(4). (See page 7 of the instructions.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12) **Use cash method of accounting.**
 Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	762,236.	339,909.	212,605.	143,474.	1,458,224.
16 Membership fees received	79,688.	74,595.	70,935.	74,280.	299,498.
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	73,128.	100,664.	354,506.	178,429.	706,727.
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	49,484.	35,993.	34,634.	16,256.	136,367.
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets					
23 Total of lines 15 through 22	964,536.	551,161.	672,680.	412,439.	2,600,816.
24 Line 23 minus line 17	891,408.	450,497.	318,174.	234,010.	1,894,089.
25 Enter 1% of line 23	9,645.	5,512.	6,727.	4,124.	
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24					26a 37,882.
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2002 through 2005 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					26b 593,559.
c Total support for section 509(a)(1) test: Enter line 24, column (e)					26c 1,894,089.
d Add: Amounts from column (e) for lines: 18 <u>136,367.</u> 19 _____ 22 _____ 26b <u>593,559.</u>					26d 729,926.
e Public support (line 26c minus line 26d total)					26e 1,164,163.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f 61.4630%
27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year: N/A					
(2005) (2004) (2003) (2002)					
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: N/A					
(2005) (2004) (2003) (2002)					
c Add: Amounts from column (e) for lines: 15 _____ 16 _____ 17 _____ 20 _____ 21 _____					27c N/A
d Add: Line 27a total _____ and line 27b total _____					27d N/A
e Public support (line 27c total minus line 27d total)					27e N/A
f Total support for section 509(a)(2) test: Enter amount on line 23, column (e)					27f N/A
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g N/A %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h N/A %

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2002 through 2005, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

NONE

Part V Private School Questionnaire (See page 9 of the instructions.)

N/A

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.)		
<hr/> <hr/> <hr/>			
32	Does the organization maintain the following:		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)	32d	
<hr/> <hr/>			
33	Does the organization discriminate by race in any way with respect to:		
a	Students' rights or privileges?	33a	
b	Admissions policies?	33b	
c	Employment of faculty or administrative staff?	33c	
d	Scholarships or other financial assistance?	33d	
e	Educational policies?	33e	
f	Use of facilities?	33f	
g	Athletic programs?	33g	
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)	33h	
<hr/> <hr/>			
34 a	Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement.	34b	
35	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation	35	

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 10 of the instructions.)

N/A

(To be completed **ONLY** by an eligible organization that filed Form 5768)

Check **a** if the organization belongs to an affiliated group. Check **b** if you checked "a" and "limited control" provisions apply.

Limits on Lobbying Expenditures		(a) Affiliated group totals	(b) To be completed for all electing organizations
(The term "expenditures" means amounts paid or incurred.)		N/A	
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36		
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37		
38 Total lobbying expenditures (add lines 36 and 37)	38		
39 Other exempt purpose expenditures	39		
40 Total exempt purpose expenditures (add lines 38 and 39)	40		
41 Lobbying nontaxable amount. Enter the amount from the following table -			
If the amount on line 40 is -	The lobbying nontaxable amount is -		
Not over \$500,000	20% of the amount on line 40		
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000		
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000		
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000		
Over \$17,000,000	\$1,000,000		
42 Grassroots nontaxable amount (enter 25% of line 41)	42		
43 Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43		
44 Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44		

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45 through 50 on page 13 of the instructions.)

Calendar year (or fiscal year beginning in)	Lobbying Expenditures During 4-Year Averaging Period				N/A
	(a) 2006	(b) 2005	(c) 2004	(d) 2003	(e) Total
45 Lobbying nontaxable amount					0.
46 Lobbying ceiling amount (150% of line 45(e))					0.
47 Total lobbying expenditures					0.
48 Grassroots nontaxable amount					0.
49 Grassroots ceiling amount (150% of line 48(e))					0.
50 Grassroots lobbying expenditures					0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 13 of the instructions.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:	Yes	No	Amount
a Volunteers		X	
b Paid staff or management (Include compensation in expenses reported on lines c through h.)		X	
c Media advertisements		X	
d Mailings to members, legislators, or the public		X	
e Publications, or published or broadcast statements		X	
f Grants to other organizations for lobbying purposes		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means		X	
i Total lobbying expenditures (Add lines c through h.)			0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

FORM 990

SPECIAL EVENTS AND ACTIVITIES

STATEMENT 1

DESCRIPTION OF EVENT	GROSS RECEIPTS	CONTRIBUT. INCLUDED	GROSS REVENUE	DIRECT EXPENSES	NET INCOME
ART AND ALL THAT JAZZ	134,585.		134,585.	5,717.	128,868.
PARTY LIKE A KID	26,822.		26,822.	6,396.	20,426.
DOCENTS' TRIPS	3,007.		3,007.		3,007.
TO FM 990, PART I, LINE 9	164,414.		164,414.	12,113.	152,301.

FORM 990

INCOME AND COST OF GOODS SOLD
INCLUDED ON PART I, LINE 10

STATEMENT 2

INCOME		
1. GROSS RECEIPTS	47,251	
2. RETURNS AND ALLOWANCES		
3. LINE 1 LESS LINE 2		47,251
4. COST OF GOODS SOLD (LINE 13)	18,350	
5. GROSS PROFIT (LINE 3 LESS LINE 4)		28,901
COST OF GOODS SOLD		
6. INVENTORY AT BEGINNING OF YEAR	15,744	
7. MERCHANDISE PURCHASED	18,335	
8. COST OF LABOR		
9. MATERIALS AND SUPPLIES		
10. OTHER COSTS		
11. ADD LINES 6 THROUGH 10		34,079
12. INVENTORY AT END OF YEAR	15,729	
13. COST OF GOODS SOLD (LINE 11 LESS LINE 12).		18,350

FORM 990 OTHER CHANGES IN NET ASSETS OR FUND BALANCES STATEMENT 3

DESCRIPTION	AMOUNT
UNREALIZED GAINS AND LOSSES	110,480.
EXECUTIVE COMPENSATION PAID BY CITY OF BELLINGHAM	125,178.
TOTAL TO FORM 990, PART I, LINE 20	235,658.

FORM 990 CASH GRANTS AND ALLOCATIONS TO INDIVIDUALS STATEMENT 5

CLASS OF ACTIVITY/DONEE'S NAME AND ADDRESS	DONEE'S RELATIONSHIP	AMOUNT
JACOBS RESEARCH GRANTS VARIOUS RECIPIENTS WHO FULFILL RQMTS	NONE	21,061.

TOTAL INCLUDED ON FORM 990, PART II, LINE 22B 21,061.

FORM 990 STATEMENT OF ORGANIZATION'S PRIMARY EXEMPT PURPOSE PART III STATEMENT 6

EXPLANATION

THE SOCIETY'S MISSION IS TO PROMOTE THE INTERESTS OF THE WHATCOM MUSEUM OF HISTORY AND ART. ITS ACTIVITIES ARE CULTURAL, EDUCATIONAL, AND CHARITABLE. THE SOCIETY ALSO OWNS AND OPERATES THE WHATCOM CHILDREN'S MUSEUM.

FORM 990 OTHER INVESTMENTS STATEMENT 7

DESCRIPTION	VALUATION METHOD	AMOUNT
CONIFER MEDFORD LIMITED PARTNERSHIP INTEREST	COST	161,525.
TOTAL TO FORM 990, PART IV, LINE 56, COLUMN B		<u>161,525.</u>

FORM 990 DEPRECIATION OF ASSETS NOT HELD FOR INVESTMENT STATEMENT 8

DESCRIPTION	COST OR OTHER BASIS	ACCUMULATED DEPRECIATION	BOOK VALUE
IDENTITY PACKAGE	6,906.	6,906.	0.
EUIPMENT	46,593.	41,598.	4,995.
ARCO BUILDING	741,576.	296,229.	445,347.
WHATCOM CHILDREN'S MUSEUM ASSETS	360,941.	99,994.	260,947.
WHATCOM CHILDREN'S MUSEUM EXHIBITS	7,166.	7,166.	0.

WHATCOM CHILDREN'S MUSEUM			
EQUIPMENT	10,604.	9,647.	957.
LEASEHOLD IMPROVEMENTS	1,234,597.	462,913.	771,684.
TOTAL TO FORM 990, PART IV, LN 57	2,408,383.	924,453.	1,483,930.

FORM 990	OTHER SECURITIES	STATEMENT	9
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SECURITY DESCRIPTION	COST/FMV	OTHER SECURITIES
FIXED INCOME SECURITIES	FMV	853,783.
EQUITY SECURITIES	FMV	1,019,096.
TOTAL TO FORM 990, LINE 54B, COL B		1,872,879.

FORM 990	OTHER EXPENSES INCLUDED ON FORM 990	STATEMENT	10
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DESCRIPTION	AMOUNT
COMPENSATION PAID BY CITY OF BELLINGHAM	125,178.
TOTAL TO FORM 990, PART IV-B	125,178.

FORM 990 PART V-A - LIST OF CURRENT OFFICERS, DIRECTORS, STATEMENT 11
TRUSTEES AND KEY EMPLOYEES

NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
THOMAS LIVESAY 121 PROSPECT STREET BELLINGHAM, WA 98225	EXECUTIVE DIRECTOR 40.00	114,445.	24,151.	0.
BOARD OF DIRECTORS ALL MAY BE REACHED AT: 121 PROSPECT STREET BELLINGHAM, WA 98225	0.00	0.	0.	0.
JON SITKIN	0.00	0.	0.	0.
JACK BERNSTEIN	0.00	0.	0.	0.
CHERIE WALKER	0.00	0.	0.	0.
BRUCE MCCORMACK	0.00	0.	0.	0.
CHUCK SNYDER	0.00	0.	0.	0.
CAROL EDWARDS	0.00	0.	0.	0.
TASHA DUNN	0.00	0.	0.	0.
ANN KAISER	0.00	0.	0.	0.

ANDREA EVANS	0.00	0.	0.	0.
PRISCILLA BROTHERTON	0.00	0.	0.	0.
FRANCES DARBY	0.00	0.	0.	0.
SUSAN EDGAR	0.00	0.	0.	0.
RUSS LEE	0.00	0.	0.	0.
TOTALS INCLUDED ON FORM 990, PART V-A		<u>114,445.</u>	<u>24,151.</u>	<u>0.</u>

FORM 990 PART V-A OFFICER COMPENSATION FROM RELATED ORGANIZATIONS STATEMENT 12

Table with 4 columns: OFFICER'S NAME, COMPENSATION, EMPLOYEE BENEFIT PLAN CONTRIBUTION, EXPENSE ACCOUNT. Row 1: THOMAS LIVESAY, 114,445., 24,151.

Table with 2 columns: NAME OF RELATED ORGANIZATION, EMPLOYER ID NUMBER. Row 1: CITY OF BELLINGHAM, 91-6001229

RELATIONSHIP BETWEEN ORGANIZATIONS
SOCIETY AGREES TO PARTIALLY PAY SALARY.

COMPENSATION DESCRIPTION
EXECUTIVE DIRECTOR IS PAID BY CITY OF BELLINGHAM, WHATCOM MUSEUM SOCIETY AGREED TO SUBSIDIZE CITY TO A CERTAIN EXTENT IN NEGOTIATION OF INITIAL HIRING.

FORM 990 PART VIII - RELATIONSHIP OF ACTIVITIES TO ACCOMPLISHMENT OF EXEMPT PURPOSES STATEMENT 13

Table with 2 columns: LINE, EXPLANATION OF RELATIONSHIP OF ACTIVITIES. Rows 93A, 93B, 103A describing art commissions, public events, and exhibit construction.

SCHEDULE A EXPLANATION OF QUALIFICATIONS TO RECEIVE PAYMENTS STATEMENT 14 PART III, LINE 3A

INDIVIDUALS MUST SUBMIT APPLICATIONS TO THE JACOBS RESEARCH GRANT COMMITTEE EXPLAINING HOW THE FUNDS WILL FURTHER THEIR RESEARCH IN NATIVE AMERICAN STUDIES, UPON COMPLETION OF THE GRANT PERIOD THE AWARDEES TURN OVER REPORTS AND MATERIALS TO THE UNIVERSITY OF WASHINGTON ARCHIVES.

SCHEDULE A	EXPLANATION OF TRANSACTIONS PART III, LINE 2D	STATEMENT 15
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PAYMENT OF EXECUTIVE DIRECTOR'S SALARY