



FINANCIAL STATEMENTS
Year Ended September 30, 2015

with
Independent Auditors' Report

BOYS & GIRLS AID

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	8

Independent Auditors' Report

The Board of Directors
Boys & Girls Aid

Report on the Financial Statements

We have audited the accompanying financial statements of The Boys & Girls Aid Society of Oregon, dba Boys & Girls Aid, which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Aid as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Boys & Girls Aid's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Huffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
February 23, 2016

BOYS & GIRLS AID
Statement of Financial Position

September 30, 2015 (With Comparative Amounts for 2014)	2015	2014
ASSETS		
Cash and cash equivalents	\$ 145,212	\$ 70,251
Investments (Notes 3 and 19)	2,857,076	4,317,791
Accounts receivable - net	644,903	587,647
Pledges receivable - net (Note 4)	207,624	431,147
Prepaid expenses and other assets	82,855	51,992
Assets held under charitable gift annuities (Notes 5 and 19)	54,084	56,659
Property and equipment - net (Notes 6 and 8)	4,341,646	4,510,161
Interest in perpetual trusts (Notes 7 and 19)	904,000	982,000
Total assets	<u>\$ 9,237,400</u>	<u>\$ 11,007,648</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Line of credit	\$ -	\$ 566,492
Accounts payable	140,697	105,077
Accrued payroll and related expenses	235,946	251,122
Deferred revenue	43,198	26,253
Notes payable (Note 8)	57,098	67,844
Liability under charitable gift annuities (Note 5)	27,041	28,005
Total liabilities	503,980	1,044,793
Commitments and contingencies (Notes 8, 9, 10, and 11)		
Net assets:		
Unrestricted (Note 12)	5,317,973	5,768,153
Temporarily restricted (Notes 13 and 15)	707,162	1,408,417
Permanently restricted (Notes 14 and 15)	2,708,285	2,786,285
Total net assets	<u>8,733,420</u>	<u>9,962,855</u>
Total liabilities and net assets	<u>\$ 9,237,400</u>	<u>\$ 11,007,648</u>

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

BOYS & GIRLS AID

Statement of Activities

Year Ended September 30, 2015 (With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2015	2014
Public support and revenue:					
Contract and grant income <i>(Note 16)</i>	\$ 2,325,769	\$ -	\$ -	\$ 2,325,769	\$ 2,610,613
Adoptive placement fees	531,715	-	-	531,715	492,399
Contributions	926,575	29,584	-	956,159	748,060
Distributions from perpetual trusts	128,360	-	-	128,360	105,766
Special events:					
Gross revenues	316,915	-	-	316,915	306,246
Less direct cost of donor benefits	(136,737)	-	-	(136,737)	(164,205)
Net special events revenue	180,178	-	-	180,178	142,041
Other income	12,292	-	-	12,292	5,846
Net assets released from restrictions - operating <i>(Note 17)</i>	280,181	(280,181)	-	-	-
Total public support and revenue	4,385,070	(250,597)	-	4,134,473	4,104,725
Expenses:					
Program services	3,922,658	-	-	3,922,658	4,384,845
Supporting services	1,295,473	-	-	1,295,473	1,267,382
Total expenses	5,218,131	-	-	5,218,131	5,652,227
Loss from operations	(833,061)	(250,597)	-	(1,083,658)	(1,547,502)
Non-operating activities:					
Net investment return <i>(Note 3)</i>	(10,329)	(49,888)	-	(60,217)	437,318
Change in value of perpetual trusts <i>(Notes 7 and 19)</i>	-	-	(78,000)	(78,000)	23,000
Change in value of charitable gift annuities	-	(1,611)	-	(1,611)	4,289
Gain (loss) on sale or disposition of property and equipment	(5,949)	-	-	(5,949)	6,329
Net assets released from restrictions - non-operating <i>(Note 17)</i>	399,159	(399,159)	-	-	-
Total non-operating activities	382,881	(450,658)	(78,000)	(145,777)	470,936
Decrease in net assets	(450,180)	(701,255)	(78,000)	(1,229,435)	(1,076,566)
Net assets, beginning of year	5,768,153	1,408,417	2,786,285	9,962,855	11,039,421
Net assets, end of year	\$ 5,317,973	\$ 707,162	\$ 2,708,285	\$ 8,733,420	\$ 9,962,855

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

BOYS & GIRLS AID

Statement of Functional Expenses

Year Ended September 30, 2015 *(With Comparative Totals for 2014)*

	Program Services	Supporting Services			Total	Total	
		Administration and General	Development	Technology and Maintenance		2015	2014
Salaries, payroll taxes, and employee benefits	\$ 2,439,776	\$ 636,416	\$ 317,616	\$ 177,747	\$ 1,131,779	\$ 3,571,555	\$ 3,919,761
Foster care payments	189,678	-	-	-	-	189,678	167,533
Specific assistance to clients	248,014	-	-	-	-	248,014	319,091
Communications and technology	78,244	9,159	8,454	33,698	51,311	129,555	126,099
Vehicle expense	34,256	84	200	2,934	3,218	37,474	40,930
Professional fees	43,040	52,120	43,451	600	96,171	139,211	129,240
Office expense	16,019	3,394	13,884	4,856	22,134	38,153	38,291
Interest	2,304	10,036	-	-	10,036	12,340	23,245
Insurance	59,328	2,436	1,143	24,071	27,650	86,978	97,111
Travel and staff development	120,710	19,485	4,245	1,959	25,689	146,399	89,006
Outreach, printing, and promotion	36,998	674	28,249	-	28,923	65,921	66,325
Other expense	52,788	10,992	30,134	160	41,286	94,074	131,854
Facilities	151,654	14,568	1,083	104,092	119,743	271,397	296,322
Bad debt expense	-	6,053	-	-	6,053	6,053	8,000
Technology and maintenance allocation	284,543	31,160	34,414	(350,117)	(284,543)	-	-
Depreciation and amortization	165,306	8,963	7,060	-	16,023	181,329	199,419
Total expenses	<u>\$ 3,922,658</u>	<u>\$ 805,540</u>	<u>\$ 489,933</u>	<u>\$ -</u>	<u>\$ 1,295,473</u>	<u>\$ 5,218,131</u>	<u>\$ 5,652,227</u>

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

BOYS & GIRLS AID

Statement of Cash Flows

Year Ended September 30, 2015 (With Comparative Totals for 2014)	2015	2014
Cash flows from operating activities:		
Decrease in net assets	\$ (1,229,435)	\$ (1,076,566)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation and amortization	181,329	199,419
(Gain) loss on investments	123,509	(351,889)
(Gain) loss on sale or disposition of property and equipment	5,949	(6,329)
Change in value of interest in perpetual trusts	78,000	(23,000)
Increase in cash surrender value of life insurance policy	(577)	(741)
Change in value of charitable gift annuities	1,611	(4,289)
Donation of common stock	(6,084)	(7,856)
Net change in:		
Accounts receivable - net	(57,256)	(151,111)
Pledges receivable - net	223,523	225,323
Prepaid expenses and other assets	(30,863)	15,610
Accounts payable	35,620	(55,213)
Accrued payroll and related expenses	(15,176)	30,098
Deferred revenue	16,945	11,750
Net cash used by operating activities	(672,905)	(1,194,794)
Cash flows from investing activities:		
Proceeds from sale of investments	1,400,000	750,000
Purchase of investments	(56,133)	(79,724)
Proceeds from sale of equipment	-	6,329
Purchase of property and equipment	(18,763)	(45,561)
Net cash provided by investing activities	1,325,104	631,044
Carried forward	652,199	(563,750)

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

BOYS & GIRLS AID

Statement of Cash Flows - Continued

Year Ended September 30, 2015 (With Comparative Totals for 2014)	2015	2014
Brought forward	\$ 652,199	\$ (563,750)
Cash flows from financing activities:		
Net borrowing (repayment) on line of credit	(566,492)	466,492
Principal payments on notes payable	<u>(10,746)</u>	<u>(8,819)</u>
Net cash provided (used) by financing activities	<u>(577,238)</u>	<u>457,673</u>
Net increase (decrease) in cash and cash equivalents	74,961	(106,077)
Cash and cash equivalents, beginning of year	<u>70,251</u>	<u>176,328</u>
Cash and cash equivalents, end of year	<u>\$ 145,212</u>	<u>\$ 70,251</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 14,989	\$ 20,898
Supplemental disclosures of non-cash investing and financing activities:		
Property and equipment acquired through note payable	\$ -	\$ 26,548

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

BOYS & GIRLS AID

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Boys & Girls Aid (the Agency) provides services in a variety of programs to the children, youth, and families of Oregon. Substantially all of the Agency's revenues come from contracts with various government agencies and donations from private donors.

The significant accounting policies followed by the Agency are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Agency and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Agency and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned on related investments for general or specific purposes.

The Agency's endowment consists of three individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), funds invested in the endowment may be included in all three asset classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Agency's interest in perpetual trusts, described in *Note 7*, is included in the Agency's endowment funds.

The Agency classifies gift amounts received from donors that are restricted to the endowment fund as permanently restricted net assets. If the market value of a donor restricted endowment fund exceeds the original gift as a result of investment earnings, then the excess amount is classified as a temporarily restricted net asset, until all or a portion of the excess is appropriated for expenditures by the Agency in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act. If the market value of an endowment is less than the original gift amount, the valuation difference is reflected in the financial statements as a reduction of unrestricted net assets.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Temporarily restricted contributions are classified as unrestricted when the restriction is met in the same fiscal year the contribution is received.

BOYS & GIRLS AID

Notes to Financial Statements - Continued

1. Summary of Significant Accounting Policies - Continued

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in accounting for, among other things, depreciation and amortization expense, the allowance for uncollectible pledges and other receivables, and the allocation of certain expenses by function.

Cash and Cash Equivalents - The Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - Investments are recorded at fair value as determined primarily by quoted market prices.

Accounts Receivable - Accounts receivable are recognized as services are provided. The Agency does not charge interest on past due accounts.

The Agency uses the allowance method to account for uncollectible accounts. The allowance for doubtful accounts is estimated by management based on various factors, including past history and current economic conditions. Management does not believe an allowance for doubtful accounts was necessary at September 30, 2015. The Agency will write off any balance that remains after it has exhausted all reasonable collection efforts.

At September 30, 2015, the Agency had accounts receivables greater than 90 days past due totaling \$159,052.

Contribution Recognition - Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based on management's judgment of potential defaults. The Agency will write off any balance that remains after it has exhausted all reasonable collection efforts.

BOYS & GIRLS AID

Notes to Financial Statements - Continued

1. Summary of Significant Accounting Policies - Continued

Contribution Recognition - Continued - The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

The Agency reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Agency reports expirations of donor restrictions of donated or acquired long-lived assets when the asset is placed into service.

Charitable Gift Annuities - At September 30, 2015, the Agency held assets under two gift annuities. Quarterly payments are made to income beneficiaries during their lifetime. Upon death of income beneficiaries, the Agency will receive the balance of the remaining assets. A liability is recorded equaling the present value of expected future payments to income beneficiaries, which is estimated using actuarial rates published by the Internal Revenue Service.

A change in value of charitable gift annuities is reported in the statement of activities equaling the balance of remaining assets received by the Agency upon death of income beneficiaries and the annual change of the net present value of the charitable gift annuities

Revenue Recognition - Contract and grant income and adoptive placement fees are recognized at the time services are provided and the revenues are earned. Amounts received in advance of being earned are treated as deferred revenue.

Interest in Perpetual Trusts - The Agency has a beneficial interest in three perpetual trusts. The assets in the trusts are held and managed by third-party administrators (banks). Under the terms of the trusts, the Agency has the irrevocable right to receive a percentage of the income earned on the trust assets in perpetuity, but never receives the assets held in trust. Accordingly, the Agency's interest in the perpetual trusts is included in the permanently restricted net asset class.

Distributions from the trusts are recorded as unrestricted revenue when received. Changes in the amount reported as an asset are recorded as an increase or decrease in permanently restricted net assets.

BOYS & GIRLS AID

Notes to Financial Statements - Continued

1. Summary of Significant Accounting Policies - Continued

Fair Value Measurements - Accounting standards pertaining to fair value measurements establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The Agency uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Agency measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets the Agency has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs, other than quoted prices observable for the asset.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

Property and Equipment and Depreciation and Amortization - Property and equipment is recorded at cost if purchased or estimated fair value at date of donation.

Depreciation and amortization is calculated using the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	15 - 40 years
Equipment and vehicles	3 - 10 years

The Agency follows the practice of capitalizing all expenditures for equipment and leasehold improvements in excess of \$1,000.

BOYS & GIRLS AID

Notes to Financial Statements - Continued

1. Summary of Significant Accounting Policies - Continued

Income Taxes - Income taxes are not provided for in the financial statements since the Agency is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Agency is not classified as a private foundation.

GAAP prescribes a recognition threshold and a measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as interest, penalties, and required disclosures. Management believes the Agency does not have any uncertain tax positions. The Agency files Federal information returns. Generally, these returns filed by the Agency are subject to examination by Federal tax authorities for a period of three years from the filing of the return. There are currently no tax examinations in progress for any periods. Interest or penalties assessed by taxing authorities, if any, would be included with administration and general expenses.

Advertising - Advertising costs are charged to expense as they are incurred. Advertising expense totaled \$26,550 for the year ended September 30, 2015.

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

Summarized Financial Information for 2014 - The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended September 30, 2014, from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to the 2014 information to conform with the 2015 presentation.

BOYS & GIRLS AID

Notes to Financial Statements - Continued

2. Functional Services

Program Services - The program services provided by the Agency are identified by the following categories:

Permanent Families services include birth parent counseling, family home studies, specialized training for prospective adoptive families, infant and special needs placements, post adoption services, and recruitment of permanent families for children waiting in foster care. The core services consist of providing comprehensive counseling services to birth parents and their families regarding the emotional and legal implications of adoption. The Agency is also a leading member of the Special Needs Adoption Coalition (SNAC), which is a coalition of state and private organizations designed to find permanent placements for special needs children.

Safe Housing programs provide comprehensive support to youth in need and access to shelter services is available 24/7 in foster homes and facility based care. The time a youth may be in shelter care ranges from overnight to nine months. Stabilization and evaluation services are provided for youth who are mentally or emotionally disturbed, delinquent, and/or homeless. In addition, the Agency has programs that provide transitional living services up to 24 months. All services provide safe living environments and focus on building self-esteem, improving behavior, communication and interaction skills, addressing individual treatment issues, and development of life skills for future success.

Recruitment services for foster parents and adoptive families are provided through the Agency's Marketing & Recruitment team. This team also provides child specific recruitment activities to identify prospective foster parents for the Department of Human Services (DHS) and answers the 1-800 Adoption & Foster Care information line for DHS.

Supporting Services - Administration and general services provide the necessary developmental, organizational, and management support for the effective operation of programs. This includes executive oversight, Board expenses, and accounting and human resources support. Development includes all costs incurred to maintain existing donors and secure new donors for the Agency.

BOYS & GIRLS AID

Notes to Financial Statements - Continued

3. Investments and Net Investment Return

Investments consist of the following at September 30:

	2015	2014
Debt and equity mutual funds	\$ 2,784,538	\$ 4,241,343
Money market fund	4,244	12,688
Common stock	11,813	7,856
Cash surrender value of life insurance policy	56,481	55,904
	<u>\$ 2,857,076</u>	<u>\$ 4,317,791</u>

The following are the components of net investment return for the years ended September 30:

	2015	2014
Interest and dividends	\$ 62,715	\$ 84,688
Realized gains	351,276	300,914
Unrealized gains (losses)	(474,785)	50,975
Increase in cash surrender value of life insurance policy	577	741
	<u>\$ (60,217)</u>	<u>\$ 437,318</u>

4. Pledges Receivable - Net

The Agency had unconditional promises to give (pledges receivable), excluding discounts to present value, representing the following at September 30:

	2015	2014
Less than one year	\$ 214,488	\$ 252,435
One to five years	-	200,000
	<u>214,488</u>	<u>452,435</u>
Gross unconditional pledges receivable	214,488	452,435
Less discount to present value ^A	(6,864)	(21,288)
	<u>\$ 207,624</u>	<u>\$ 431,147</u>

^ADiscounts on pledges receivable are calculated using an interest rate of 4 percent.

BOYS & GIRLS AID

Notes to Financial Statements - Continued

5. Charitable Gift Annuities

The fair market value of the assets and the estimated net present value of the future payments to the income beneficiaries are as follows at September 30:

	2015	2014
Assets held in charitable gift annuities (fair market value)	\$ 54,084	\$ 56,659
Liability under charitable gift annuities (net present value of future payments to income beneficiaries based upon a discount rate of 6 percent)	<u>(27,041)</u>	<u>(28,005)</u>
Net present value	<u>\$ 27,043</u>	<u>\$ 28,654</u>

6. Property and Equipment - Net

Property and equipment consists of the following at September 30:

	2015	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	\$ 1,177,793	\$	-	\$ 1,177,793
Buildings and improvements	4,591,127	1,621,126	1,621,126	2,970,001
Equipment	761,683	593,758	593,758	167,925
Vehicles	157,654	131,727	131,727	25,927
	<u>\$ 6,688,257</u>	<u>\$ 2,346,611</u>	<u>\$ 2,346,611</u>	<u>\$ 4,341,646</u>
	2014			
Land	\$ 1,177,793	\$	-	\$ 1,177,793
Buildings and improvements	4,591,127	1,497,752	1,497,752	3,093,375
Equipment	914,522	712,625	712,625	201,897
Vehicles	184,278	147,182	147,182	37,096
	<u>\$ 6,867,720</u>	<u>\$ 2,357,559</u>	<u>\$ 2,357,559</u>	<u>\$ 4,510,161</u>

BOYS & GIRLS AID

Notes to Financial Statements - Continued

7. Interest in Perpetual Trusts

The estimated present value of future distributions from trust assets is as follows:

	2015	2014
Balance, beginning of year	\$ 982,000	\$ 959,000
Change in value, net of distribution	<u>(78,000)</u>	<u>23,000</u>
Balance, end of year	<u><u>\$ 904,000</u></u>	<u><u>\$ 982,000</u></u>

8. Notes Payable

	2015	2014
Note payable to Columbia State Bank with monthly interest and principal payments of \$608, at 6 percent per annum. Secured by certain real property with carrying value of \$1,112,162. The note has a maturity date of August 2022.	\$ 40,727	\$ 45,721
Note payable to Toyota Motor Credit Corporation with monthly principal payments of \$442. Secured by a vehicle with a carrying value of \$15,929. The note has a maturity date of December 2018, and is non-interest bearing.	<u>16,371</u>	<u>22,123</u>
	<u><u>\$ 57,098</u></u>	<u><u>\$ 67,844</u></u>

Future principal maturities on the above notes are as follows:

Years Ending September 30,	Amount
2016	\$ 10,252
2017	10,561
2018	10,890
2019	6,372
2020	6,300
Thereafter	<u>12,723</u>
	<u><u>\$ 57,098</u></u>

The note agreement with Columbia State Bank contains financial and other covenants with which the Agency must comply. At September 30, 2015, the Agency was not in compliance with certain of these covenants.

BOYS & GIRLS AID

Notes to Financial Statements - Continued

9. Commitments

The Agency leases operating equipment under operating leases that expire through June 2019. Additionally, the Agency leases certain office space under operating leases that expire through December 2017. Future minimum payments under these operating leases are payable as follows:

Years Ending September 30,	Amount
2016	\$ 122,319
2017	54,896
2018	31,176
2019	13,491
	<u>\$ 221,882</u>

Rent expense totaled \$122,288 for the year ended September 30, 2015.

10. Pension Plan

The Agency has a defined contribution retirement plan covering substantially all employees who have completed six months of service with the Agency. The plan was established under Section 403(b) of the Internal Revenue Code. Employee contributions to the plan are in the form of salary deferrals and are immediately 100 percent vested.

Under the terms of the plan, the Agency will make an employer matching contribution equal to 100 percent of eligible employee salary deferrals up to 3 percent of compensation plus 50 percent of eligible employee salary deferrals more than 3 percent and up to 5 percent of compensation. Employer contributions to the plan totaled \$49,290 for the year ended September 30, 2015.

11. Contingencies

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Agency if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future that have not already been provided for.

BOYS & GIRLS AID

Notes to Financial Statements - Continued

12. Unrestricted Net Assets

The composition of unrestricted net assets is as follows at September 30:

	2015	2014
Net investment in property and equipment	\$ 3,821,478	\$ 3,967,662
Unrestricted for operations	<u>1,496,495</u>	<u>1,800,491</u>
	<u><u>\$ 5,317,973</u></u>	<u><u>\$ 5,768,153</u></u>

13. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	2015	2014
Hero's adoption fund	\$ 450	\$ 2,950
Client emergency fund	12,053	13,149
Other	160	-
Net present value of charitable gift annuities	27,043	28,654
Unexpended endowment earnings	-	449,047
For use in future periods - Beaverton fourplex project	463,070	474,655
For use in future periods - Safe Housing	11,250	11,250
For use in future periods - Annual Fund	<u>193,136</u>	<u>428,712</u>
	<u><u>\$ 707,162</u></u>	<u><u>\$ 1,408,417</u></u>

14. Permanently Restricted Net Assets

	2015	2014
General endowment	\$ 868,865	\$ 868,865
Prevention endowment	8,500	8,500
Adoption endowment	926,920	926,920
Interest in perpetual trusts (<i>Note 7</i>)	<u>904,000</u>	<u>982,000</u>
	<u><u>\$ 2,708,285</u></u>	<u><u>\$ 2,786,285</u></u>

BOYS & GIRLS AID

Notes to Financial Statements - Continued

15. Endowment Funds

Investment and Spending Policies: The primary objective of the Agency’s investment policy is to provide income for the funding of projects as approved by the Agency’s Board of Directors. To achieve this objective, the Agency attempts to achieve an average rate of return without undue risk to principal through a combination of capital appreciation and preservation of capital. The spending of endowment assets is approved by the Board of Directors of the Agency.

During February 2015, the Board of Directors approved an appropriation of all unexpended endowment earnings and an appropriation of future endowment earnings, to the extent available. This decision was made to meet the needs of the Agency.

The investment of the Agency’s interest in perpetual trusts is determined by the trustees rather than the Agency.

Changes in endowment net assets for the year ended September 30, 2015, are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 449,047	\$ 2,786,285	\$ 3,235,332
Interest and dividends	32,971	-	32,971
Realized gains	206,877	-	206,877
Unrealized losses	(289,736)	-	(289,736)
Change in value of perpetual trusts	-	(78,000)	(78,000)
Appropriation of endowment earnings for expenditure	<u>(399,159)</u>	<u>-</u>	<u>(399,159)</u>
Endowment net assets, end of year	<u><u>\$ -</u></u>	<u><u>\$ 2,708,285</u></u>	<u><u>\$ 2,708,285</u></u>

16. Contract and Grant Income

Contract and grant income was received from the following sources during the years ended September 30:

	2015	2014
State, city, and county sources	\$ 1,895,499	\$ 2,202,105
Federal sources	417,522	391,241
Private and other sources	<u>12,748</u>	<u>17,267</u>
	<u><u>\$ 2,325,769</u></u>	<u><u>\$ 2,610,613</u></u>

BOYS & GIRLS AID

Notes to Financial Statements - Continued

17. Net Assets Released from Restrictions

Net assets were released from donor restrictions by the Agency incurring expenses satisfying the restricted purpose or by the passage of time. A summary of net assets released from restrictions for the year ended September 30, 2015, is as follows:

Operating releases:	
Hero's adoption fund	\$ 2,500
Client emergency fund	1,096
Safe Housing	15,000
Beaverton fourplex project - donor time restriction	11,585
Annual Fund - donor time restrictions	<u>250,000</u>
Total operating releases	280,181
Non-operating releases:	
Endowment earnings appropriated for expenditure	<u>399,159</u>
Total net assets released from restrictions	<u><u>\$ 679,340</u></u>

18. Financial Instruments with Concentrations of Credit Risk

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of cash and cash equivalents; investments, which are described in *Note 3*; and pledges receivable, which are described in *Note 4*. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and such changes could materially affect the market value reported in the financial statements. On occasion, the Agency maintains cash and cash equivalent balances in excess of Federal Deposit Insurance Corporation limits. Concentrations of risk with respect to pledges receivable are limited through various monitoring procedures.

BOYS & GIRLS AID

Notes to Financial Statements - Continued

19. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Agency's assets measured at fair value on a recurring basis as of September 30, 2015:

	Level 1	Level 2	Level 3	Total
Debt and equity mutual funds:				
Domestic equity mutual funds:				
Large blend	\$ 453,686	\$ -	\$ -	\$ 453,686
Large value	330,007	-	-	330,007
Small value	172,225	-	-	172,225
Small growth	169,791	-	-	169,791
Foreign equity mutual funds:				
Large blend	220,336	-	-	220,336
Large growth	207,937	-	-	207,937
Mid growth	174,511	-	-	174,511
Debt mutual funds:				
Mid-term moderate	<u>1,056,045</u>	<u>-</u>	<u>-</u>	<u>1,056,045</u>
 Total debt and equity mutual funds	 2,784,538	 -	 -	 2,784,538
Money market fund	4,244	-	-	4,244
Common stock	11,813	-	-	11,813
Cash surrender value of life insurance policy	<u>-</u>	<u>56,481</u>	<u>-</u>	<u>56,481</u>
Investments, at fair value	2,800,595	56,481	-	2,857,076
Assets held under charitable gift annuities	54,084	-	-	54,084
Interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>904,000</u>	<u>904,000</u>
Total assets, at fair value	<u>\$ 2,854,679</u>	<u>\$ 56,481</u>	<u>\$ 904,000</u>	<u>\$ 3,815,160</u>

BOYS & GIRLS AID

Notes to Financial Statements - Continued

19. Fair Value Measurements - Continued

Level 1 Measurements: Fair value of Level 1 assets described above is determined by reference to quoted market prices or other relevant market data as provided by the bank or broker.

Level 2 Measurements: Fair value for cash surrender value of life insurance policies is based on quoted prices of securities with similar characteristics, yield curves, and other relevant economic measures.

Level 3 Measurements: Fair value for the Agency's interest in perpetual trusts is based on the present value of future cash receipts from the trusts' assets (estimated to be the fair value of the trust assets multiplied by a factor representing trust income actually distributed). Market data is not available for perpetual trusts and, accordingly, fair value inputs specific to these assets are not observable.

A summary of the fair value measurements for assets measured at fair value on a recurring basis using unobservable inputs (Level 3) for the year ended September 30, 2015, is as follows:

	Interest in Perpetual Trusts
Balance, beginning of year	\$ 982,000
Change in value	<u>(78,000)</u>
Balance, end of year	<u><u>\$ 904,000</u></u>

20. Subsequent Events

Management has evaluated subsequent events through February 23, 2016, the date the financial statements were available for issue.