



**FINANCIAL STATEMENTS**  
**Year Ended September 30, 2016**

**with**  
**Independent Auditors' Report**

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# BOYS & GIRLS AID

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## **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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, 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  
March 2, 2017

**BOYS & GIRLS AID**  
**Statement of Financial Position**

<b>September 30, 2016</b> <i>(With Comparative Amounts for 2015)</i>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 306,381	\$ 145,212
Investments <i>(Notes 3 and 19)</i>	2,490,315	2,857,076
Accounts receivable - net	467,123	644,903
Pledges receivable - net <i>(Note 4)</i>	7,500	207,624
Prepaid expenses and other assets	73,014	82,855
Assets held under charitable gift annuities <i>(Notes 5 and 19)</i>	57,902	54,084
Property and equipment - net <i>(Notes 6 and 8)</i>	4,188,080	4,341,646
Interest in perpetual trusts <i>(Notes 7 and 19)</i>	937,000	904,000
<b>Total assets</b>	<b><u>\$ 8,527,315</u></b>	<b><u>\$ 9,237,400</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 65,128	\$ 140,697
Accrued payroll and related expenses	275,095	235,946
Deferred revenue	53,956	43,198
Notes payable <i>(Note 8)</i>	11,504	57,098
Liability under charitable gift annuities <i>(Note 5)</i>	26,074	27,041
<b>Total liabilities</b>	<b>431,757</b>	<b>503,980</b>
Commitments and contingencies <i>(Notes 9, 10, and 11)</i>		
<b>Net assets:</b>		
Unrestricted <i>(Note 12)</i>	4,843,487	5,317,973
Temporarily restricted <i>(Notes 13 and 15)</i>	510,786	707,162
Permanently restricted <i>(Notes 14 and 15)</i>	2,741,285	2,708,285
<b>Total net assets</b>	<b><u>8,095,558</u></b>	<b><u>8,733,420</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 8,527,315</u></b>	<b><u>\$ 9,237,400</u></b>

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

## BOYS & GIRLS AID

### Statement of Activities

**Year Ended September 30, 2016 (With Comparative Totals for 2015)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
<b>Public support and revenue:</b>					
Contract and grant income (Note 16)	\$ 2,442,845	\$ -	\$ -	\$ 2,442,845	\$ 2,325,769
Adoptive placement fees	578,815	-	-	578,815	531,715
Contributions	942,504	29,389	-	971,893	956,159
Distributions from perpetual trusts	93,015	-	-	93,015	128,360
Special events:					
Gross revenues	260,123	-	-	260,123	316,915
Less direct cost of donor benefits	(71,962)	-	-	(71,962)	(136,737)
Net special events revenue	188,161	-	-	188,161	180,178
Other income	11,735	-	-	11,735	12,292
Net assets released from restrictions - operating (Note 17)	230,550	(230,550)	-	-	-
<b>Total public support and revenue</b>	<b>4,487,625</b>	<b>(201,161)</b>	<b>-</b>	<b>4,286,464</b>	<b>4,134,473</b>
<b>Expenses:</b>					
Program services	3,878,557	-	-	3,878,557	3,922,658
Supporting services	1,282,819	-	-	1,282,819	1,295,473
<b>Total expenses</b>	<b>5,161,376</b>	<b>-</b>	<b>-</b>	<b>5,161,376</b>	<b>5,218,131</b>
<b>Loss from operations</b>	<b>(673,751)</b>	<b>(201,161)</b>	<b>-</b>	<b>(874,912)</b>	<b>(1,083,658)</b>
<b>Non-operating activities:</b>					
Net investment return (Note 3)	64,215	135,050	-	199,265	(60,217)
Change in value of perpetual trusts (Notes 7 and 19)	-	-	33,000	33,000	(78,000)
Change in value of charitable gift annuities	-	4,785	-	4,785	(1,611)
Loss on disposition of equipment	-	-	-	-	(5,949)
Net assets released from restrictions - non-operating (Note 17)	135,050	(135,050)	-	-	-
<b>Net non-operating activities</b>	<b>199,265</b>	<b>4,785</b>	<b>33,000</b>	<b>237,050</b>	<b>(145,777)</b>
<b>Increase (decrease) in net assets</b>	<b>(474,486)</b>	<b>(196,376)</b>	<b>33,000</b>	<b>(637,862)</b>	<b>(1,229,435)</b>
Net assets, beginning of year	5,317,973	707,162	2,708,285	8,733,420	9,962,855
<b>Net assets, end of year</b>	<b>\$ 4,843,487</b>	<b>\$ 510,786</b>	<b>\$ 2,741,285</b>	<b>\$ 8,095,558</b>	<b>\$ 8,733,420</b>

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

## BOYS & GIRLS AID

### Statement of Functional Expenses

**Year Ended September 30, 2016** *(With Comparative Totals for 2015)*

	Program Services	Supporting Services			Total	Total	
		Administration and General	Development	Technology and Maintenance		2016	2015
Salaries, payroll taxes, and employee benefits	\$ 2,501,289	\$ 672,678	\$ 253,891	\$ 182,018	\$ 1,108,587	\$ 3,609,876	\$ 3,571,555
Foster care payments	217,299	-	-	-	-	217,299	189,678
Specific assistance to clients	220,919	-	-	-	-	220,919	248,014
Communications and technology	43,766	29,998	7,376	40,526	77,900	121,666	129,555
Vehicle expense	21,948	53	73	2,220	2,346	24,294	37,474
Professional fees	58,191	80,712	18,354	1,527	100,593	158,784	139,211
Office expense	9,611	4,702	7,937	4,788	17,427	27,038	38,153
Interest	1,692	1,529	-	-	1,529	3,221	12,340
Insurance	66,814	1,977	841	22,348	25,166	91,980	86,978
Travel and staff development	115,109	20,067	2,471	597	23,135	138,244	146,399
Outreach, printing, and promotion	4,970	15,134	17,717	-	32,851	37,821	65,921
Other expense	66,206	12,984	11,206	-	24,190	90,396	94,074
Facilities	124,954	19,660	1,059	99,387	120,106	245,060	271,397
Bad debt expense	-	-	-	-	-	-	6,053
Technology and maintenance allocation	270,311	55,568	27,532	(353,411)	(270,311)	-	-
Depreciation and amortization	155,478	13,643	5,657	-	19,300	174,778	181,329
<b>Total expenses</b>	<b>\$ 3,878,557</b>	<b>\$ 928,705</b>	<b>\$ 354,114</b>	<b>\$ -</b>	<b>\$ 1,282,819</b>	<b>\$ 5,161,376</b>	<b>\$ 5,218,131</b>

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

## BOYS & GIRLS AID

### Statement of Cash Flows

<b>Year Ended September 30, 2016</b> <i>(With Comparative Totals for 2015)</i>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Decrease in net assets	\$ (637,862)	\$ (1,229,435)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation and amortization	174,778	181,329
(Gain) loss on investments	(128,191)	123,509
Loss on disposition of equipment	-	5,949
Change in value of interest in perpetual trusts	(33,000)	78,000
Increase in cash surrender value of life insurance policy	(409)	(577)
Change in value of charitable gift annuities	(4,785)	1,611
Donation of common stock	(15,680)	(6,084)
Net change in:		
Accounts receivable - net	177,780	(57,256)
Pledges receivable - net	200,124	223,523
Prepaid expenses and other assets	9,841	(30,863)
Accounts payable	(75,569)	35,620
Accrued payroll and related expenses	39,149	(15,176)
Deferred revenue	10,758	16,945
<b>Net cash used by operating activities</b>	<b>(283,066)</b>	<b>(672,905)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	770,833	1,400,000
Purchase of investments	(259,792)	(56,133)
Purchase of property and equipment	(21,212)	(18,763)
<b>Net cash provided by investing activities</b>	<b>489,829</b>	<b>1,325,104</b>
<b>Carried forward</b>	<b>206,763</b>	<b>652,199</b>

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



## BOYS & GIRLS AID

### Statement of Cash Flows - Continued

<b>Year Ended September 30, 2016</b> <i>(With Comparative Totals for 2015)</i>	<b>2016</b>	<b>2015</b>
<b>Brought forward</b>	<b>\$ 206,763</b>	<b>\$ 652,199</b>
<b>Cash flows from financing activities:</b>		
Net repayment on line of credit	-	(566,492)
Principal payments on notes payable	<u>(45,594)</u>	<u>(10,746)</u>
<b>Net cash used by financing activities</b>	<b><u>(45,594)</u></b>	<b><u>(577,238)</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>161,169</b>	<b>74,961</b>
Cash and cash equivalents, beginning of year	<u>145,212</u>	<u>70,251</u>
<b>Cash and cash equivalents, end of year</b>	<b><u><u>\$ 306,381</u></u></b>	<b><u><u>\$ 145,212</u></u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 3,221	\$ 14,989

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

# BOYS & GIRLS AID

## Notes to Financial Statements

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### 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

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#### 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 accounts 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, 2016. The Agency will write off any balance that remains after it has exhausted all reasonable collection efforts.

At September 30, 2016, the Agency had accounts receivables greater than 90 days past due totaling \$81,785.

**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

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#### 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, 2016, 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

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### 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 \$3,000.

## BOYS & GIRLS AID

### Notes to Financial Statements - Continued

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#### 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 \$10,256 for the year ended September 30, 2016.

**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 2015** - 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, 2015, from which the summarized information was derived.

## BOYS & GIRLS AID

### Notes to Financial Statements - Continued

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#### 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:

	2016	2015
Debt and equity mutual funds	\$ 101,712	\$ 2,784,538
Money market fund	145,498	4,244
U.S. Treasury securities	512,798	-
Corporate bonds	450,465	-
Domestic common stock	996,406	-
Foreign common stock	226,546	11,813
Cash surrender value of life insurance policies	56,890	56,481
	<u>\$ 2,490,315</u>	<u>\$ 2,857,076</u>

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

	2016	2015
Interest and dividends	\$ 70,665	\$ 62,715
Realized gains	418,068	351,276
Unrealized losses	(289,877)	(474,785)
Increase in cash surrender value of life insurance policy	409	577
	<u>\$ 199,265</u>	<u>\$ (60,217)</u>

#### 4. Pledges Receivable - Net

The Agency had unconditional promises to give (pledges receivable), all expected to be received within one year, representing the following at September 30:

	2016	2015
Gross unconditional pledges receivable	\$ 7,500	\$ 214,488
Less discount to present value <sup>A</sup>	<u>-</u>	<u>(6,864)</u>
Net unconditional pledges receivable	<u>\$ 7,500</u>	<u>\$ 207,624</u>

<sup>A</sup>Discounts 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:

	2016	2015
Assets held in charitable gift annuities (fair market value)	\$ 57,902	\$ 54,084
Liability under charitable gift annuities (net present value of future payments to income beneficiaries based upon a discount rate of 6 percent)	<u>(26,074)</u>	<u>(27,041)</u>
Net present value	<u>\$ 31,828</u>	<u>\$ 27,043</u>

**6. Property and Equipment - Net**

Property and equipment consists of the following at September 30:

	2016	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	\$ 1,177,793	\$ -	\$ -	\$ 1,177,793
Buildings and improvements	4,591,127	1,744,292	1,744,292	2,846,835
Equipment	763,902	631,896	631,896	132,006
Vehicles	156,113	124,667	124,667	31,446
	<u>\$ 6,688,935</u>	<u>\$ 2,500,855</u>	<u>\$ 2,500,855</u>	<u>\$ 4,188,080</u>
	2015			
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>

**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:

	<b>2016</b>	<b>2015</b>
Balance, beginning of year	\$ 904,000	\$ 982,000
Change in value, net of distribution	<u>33,000</u>	<u>(78,000)</u>
Balance, end of year	<u><u>\$ 937,000</u></u>	<u><u>\$ 904,000</u></u>

**8. Notes Payable**

	<b>2016</b>	<b>2015</b>
Note payable to Columbia State Bank. Paid in full during the year.	\$ -	\$ 40,727
Note payable to Toyota Motor Credit Corporation with monthly principal payments of \$442. Secured by a vehicle with a carrying value of \$10,619. The note has a maturity date of December 2018, and is non-interest bearing.	<u>11,504</u>	<u>16,371</u>
	<u><u>\$ 11,504</u></u>	<u><u>\$ 57,098</u></u>

Future principal maturities on the above note are as follows:

<b>Years Ending September 30,</b>	<b>Amount</b>
2017	\$ 5,309
2018	5,309
2019	<u>886</u>
	<u><u>\$ 11,504</u></u>

**BOYS & GIRLS AID**

**Notes to Financial Statements - Continued**

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**9. Commitments**

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

<b>Years Ending September 30,</b>	<b>Amount</b>
2017	\$ 54,896
2018	31,176
2019	23,376
2020	13,491
	<u>\$ 122,939</u>

Rent expense totaled \$134,671 for the year ended September 30, 2016.

**10. Pension Plan**

The Agency has a defined contribution retirement plan (the 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 \$50,954 for the year ended September 30, 2016.

**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**

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**12. Unrestricted Net Assets**

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

	<b>2016</b>	<b>2015</b>
Net investment in property and equipment	\$ 3,725,092	\$ 3,821,478
Unrestricted for operations	<u>1,118,395</u>	<u>1,496,495</u>
	<u><u>\$ 4,843,487</u></u>	<u><u>\$ 5,317,973</u></u>

**13. Temporarily Restricted Net Assets**

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

	<b>2016</b>	<b>2015</b>
Hero's adoption fund	\$ -	\$ 450
Client emergency fund	8,724	12,053
Other	-	160
Net present value of charitable gift annuities	31,828	27,043
For use in future periods - Beaverton fourplex project	451,484	463,070
For use in future periods - Safe Housing	11,250	11,250
For use in future periods - Annual Fund	<u>7,500</u>	<u>193,136</u>
	<u><u>\$ 510,786</u></u>	<u><u>\$ 707,162</u></u>

**14. Permanently Restricted Net Assets**

	<b>2016</b>	<b>2015</b>
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>937,000</u>	<u>904,000</u>
	<u><u>\$ 2,741,285</u></u>	<u><u>\$ 2,708,285</u></u>

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**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. To meet the needs of the Agency, the Board of Directors has approved an appropriation of endowment earnings, to the extent available.

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, 2016, are as follows:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 2,708,285	\$ 2,708,285
Interest and dividends	40,756	-	40,756
Realized gains	294,918	-	294,918
Unrealized losses	(200,624)	-	(200,624)
Change in value of perpetual trusts	-	33,000	33,000
Appropriation of endowment earnings for expenditure	<u>(135,050)</u>	<u>-</u>	<u>(135,050)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,741,285</u>	<u>\$ 2,741,285</u>

**16. Contract and Grant Income**

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

	<b>2016</b>	<b>2015</b>
State, city, and county sources	\$ 2,003,706	\$ 1,895,499
Federal sources	429,139	417,522
Private and other sources	<u>10,000</u>	<u>12,748</u>
	<u>\$ 2,442,845</u>	<u>\$ 2,325,769</u>

**BOYS & GIRLS AID**

**Notes to Financial Statements - Continued**

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**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, 2016, is as follows:

Operating releases:	
Hero's adoption fund	\$ 450
Client emergency fund	3,354
Other	160
Safe Housing	15,000
Beaverton fourplex project - donor time restriction	11,586
Annual Fund - donor time restrictions	<u>200,000</u>
Total operating releases	230,550
Non-operating releases:	
Endowment earnings appropriated for expenditure	<u>135,050</u>
Total net assets released from restrictions	<u><u>\$ 365,600</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 and investments, which are described in *Note 3*. 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.

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### 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, 2016:

	Level 1	Level 2	Level 3	Total
Debt and equity mutual funds	\$ 101,712	\$ -	\$ -	\$ 101,712
Money market fund	145,498	-	-	145,498
U.S. Treasury securities	-	512,798	-	512,798
Corporate bonds	-	450,465	-	450,465
Domestic common stock	996,406	-	-	996,406
Foreign common stock	226,546	-	-	226,546
Cash surrender value of life insurance policies	-	56,890	-	56,890
Investments, at fair value	1,470,162	1,020,153	-	2,490,315
Assets held under charitable gift annuities	57,902	-	-	57,902
Interest in perpetual trusts	-	-	937,000	937,000
Total assets, at fair value	<u>\$ 1,528,064</u>	<u>\$ 1,020,153</u>	<u>\$ 937,000</u>	<u>\$ 3,485,217</u>

*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 U.S. Treasury securities, corporate bonds, and cash surrender value of life insurance policies are 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.

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**Notes to Financial Statements - Continued**

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**19. Fair Value Measurements - Continued**

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, 2016, is as follows:

	<b>Interest in Perpetual Trusts</b>
Balance, beginning of year	\$ 904,000
Change in value	<u>33,000</u>
Balance, end of year	<u><u>\$ 937,000</u></u>

**20. Subsequent Events**

Management has evaluated subsequent events through March 2, 2017, the date the financial statements were available for issue.