

Old Mill Center for Children and Families, Inc  
Financial Statements  
June 30, 2016

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## Independent Accountant's Review Report

To the Board of Directors  
Old Mill Center for Children and Families, Inc  
Corvallis, Oregon

We have reviewed the accompanying financial statements of Old Mill Center for Children and Families, Inc (a nonprofit organization), which comprise the statement of financial position as of June 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### 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.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Tax + Wealth Management, LLP*

Corvallis, Oregon  
January 20, 2017

**Old Mill Center for Children and Families Inc**

Statement of Financial Position

June 30, 2016

**Assets**

Cash and cash equivalents	\$ 265,769
Accounts receivable, net	280,635
Prepaid expenses	19,765
Inventory	679
Contribution receivable - charitable lead trust	111,951
Investments	795,630
Restricted Cash, UST fund	6,064
Property and equipment, net	<u>2,555,086</u>
Total assets	<u>\$ 4,035,579</u>

**Liabilities**

Accounts payable	\$ 14,917
Accrued liabilities	<u>112,839</u>
Total liabilities	<u>127,756</u>

**Net assets**

Unrestricted	3,271,393
Temporarily restricted	111,951
Permanently restricted	<u>524,479</u>
Total net assets	<u>3,907,823</u>
Total liabilities and net assets	<u>\$ 4,035,579</u>

*See Independent Accountant's Review Report and Accompanying Notes*

# Old Mill Center for Children and Families Inc

## Statement of Activities

For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
Service revenues, net	\$ 1,428,605	\$ -	\$ -	\$ 1,428,605
Grants	107,609	-	-	107,609
Contributions	342,577	-	279,368	621,945
Special events	220,650	-	-	220,650
Less direct benefit costs	(41,342)	-	-	(41,342)
Investment income	(1,337)	-	(459)	(1,796)
Miscellaneous	120	-	-	120
Net assets released from restrictions	<u>28,920</u>	<u>(28,920)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,085,802</u>	<u>(28,920)</u>	<u>278,909</u>	<u>2,335,791</u>
<b>Expenses</b>				
Program services				
Preventative	851,864	-	-	851,864
Educational and educational support	416,017	-	-	416,017
Child, family and group counseling	<u>748,983</u>	<u>-</u>	<u>-</u>	<u>748,983</u>
Total program services	<u>2,016,864</u>	<u>-</u>	<u>-</u>	<u>2,016,864</u>
Supporting services				
Management and general	147,689	-	-	147,689
Fundraising	<u>77,605</u>	<u>-</u>	<u>-</u>	<u>77,605</u>
Total supporting services	<u>225,294</u>	<u>-</u>	<u>-</u>	<u>225,294</u>
Total expenses	<u>2,242,158</u>	<u>-</u>	<u>-</u>	<u>2,242,158</u>
Change in net assets	(156,356)	(28,920)	278,909	93,633
Net assets, beginning of year	<u>3,427,749</u>	<u>140,871</u>	<u>245,570</u>	<u>3,814,190</u>
Net assets, end of year	<u>\$ 3,271,393</u>	<u>\$ 111,951</u>	<u>\$ 524,479</u>	<u>\$ 3,907,823</u>

See Independent Accountant's Review Report and Accompanying Notes

## Old Mill Center for Children and Families Inc

### Statement of Functional Expenses

For the Year Ended June 30, 2016

	<i>Program Services</i>			<i>Supporting Services</i>			Totals	
	Preventative	Educational and Educational Support	Child, Family and Group Counseling	Total Programs	Management and General	Fundraising		Total Supporting
Wages, payroll taxes, and benefits	\$ 677,192	\$ 315,916	\$ 625,283	\$ 1,618,391	\$ 94,166	\$ 54,557	\$ 148,723	\$1,767,114
Direct assistance to families	5,301	6	58	5,365		-	-	5,365
Accounting	-	-	-	-	14,750	-	14,750	14,750
Contract services	21,880	31,218	21,396	74,494	3,300	4,852	8,152	82,646
Marketing and advertising	308	550	258	1,116	(275)	6,848	6,573	7,689
Program and office supplies	23,939	9,889	16,573	50,401	2,577	2,011	4,588	54,989
Information technology	12,355	3,003	12,292	27,650	934	2,072	3,006	30,656
Occupancy	15,417	10,001	10,581	35,999	7,696	1,509	9,205	45,204
Travel	16,495	622	4,424	21,541	25	34	59	21,600
Conferences and meetings	30,614	3,678	3,152	37,444	228	2,419	2,647	40,091
Fees	15	253	348	616		468	468	1,084
Depreciation	36,747	27,769	33,198	97,714	21,026	2,159	23,185	120,899
Insurance	5,248	4,239	4,485	13,972	3,262	640	3,902	17,874
Food and meals	6,353	2,385	-	8,738		36	36	8,774
Bad debts	-	6,488	16,935	23,423		-	-	23,423
<b>Total expenses</b>	<b><u>\$ 851,864</u></b>	<b><u>\$ 416,017</u></b>	<b><u>\$ 748,983</u></b>	<b><u>\$ 2,016,864</u></b>	<b><u>\$ 147,689</u></b>	<b><u>\$ 77,605</u></b>	<b><u>\$ 225,294</u></b>	<b><u>\$2,242,158</u></b>

*See Independent Accountant's Review Report and Accompanying Notes*

# Old Mill Center for Children and Families Inc

## Statement of Cash Flows

For the Year Ended June 30, 2016

### Cash flows from operating activities

Change in net assets	\$	93,633
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		120,899
Investment earnings		(48,414)
Unrealized (gain) loss on investments		50,210
Donated real property restricted for endowment		(279,368)
Transfers to restricted cash		(6,898)
Provisions for bad debts and uncollectible promises to give		21,163
Amortization of discount:		
Charitable lead annuity trust		(3,230)
(Increase) decrease in:		
Accounts receivable		(67,680)
Prepaid expenses		(8,135)
Inventory		(679)
Charitable lead annuity trust		30,000
Increase (decrease) in:		
Accounts payable		(3,936)
Accrued liabilities		<u>12,355</u>
Net cash used in operating activities		<u>(90,080)</u>

### Cash flows from investing activities

Proceeds from sale of investments		33,377
Purchase of investments		(312,745)
Purchases of equipment		<u>(11,739)</u>
Net cash used in investing activities		<u>(291,107)</u>

### Cash flows from financing activities

Proceeds from contributions restricted for:		
Investment in permanent endowment		<u>279,368</u>
Net cash provided by financing activities		<u>279,368</u>

**Net increase in cash and cash equivalents** (101,819)

Cash and cash equivalents, beginning of year 367,588

Cash and cash equivalents, end of year \$ 265,769

### Supplemental disclosures

Cash paid for interest \$ -

*See Independent Accountant's Review Report and Accompanying Notes*

# Old Mill Center for Children and Families, Inc

## Notes to Financial Statements

### NOTE A – Summary of Significant Accounting Policies

#### *Organization*

Old Mill Center for Children and Families, Inc. (the Center), is a not-for-profit organization founded in 1977 under the laws and regulations of the State of Oregon. The Center, located in Corvallis, Oregon, provides services to address the educational, social, emotional and family needs of a diverse population of children.

#### *Basis of Accounting*

The financial statements of the Center have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America (US GAAP). Under this method, revenues are recorded when earned and expenses are recorded when the liability is incurred.

#### *Financial Statement Presentation*

The Center reports information regarding its financial position and activities according to three classes of net assets: *unrestricted net assets*, *temporarily restricted net assets*, and *permanently restricted net assets*.

*Unrestricted net assets* – are not restricted by donors or the donor-imposed restrictions have expired.

*Temporarily restricted net assets* – contain donor-imposed restrictions that permit the Center to use or expend the assets only as specified. These restrictions are satisfied either by the passage of time or by the Center's expenditure for the specified purpose.

*Permanently restricted net assets* – contain donor-imposed restrictions and stipulate that the resources be maintained permanently but permit the Center to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

#### *Accounts Receivable*

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Center provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of clients to meet their obligations. It is the Center's policy to charge off uncollectible accounts receivables when management determines the receivable will not be collected.

The Center considers all client accounts receivable past due 30 days after billing. Clients are notified by letter when their receivable becomes past due. At the Center's option, services to clients whose receivables are 60 days past due are discontinued. Client accounts receivable are sent to collections when they are 90 days past due and efforts to pay have not been made. The Center reviews their client accounts receivable ageing summary monthly. An estimate for the allowance for doubtful accounts is determined by identifying specific accounts that have a low probability of collection and the Center's past collection history.

Service contracts receivable consist of amounts billed to various governmental and other healthcare organizations for services rendered to clients enrolled in various programs offered by the center.

#### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.



# Old Mill Center for Children and Families, Inc

## Notes to Financial Statements

### *Charity Care*

The Center provides care to clients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Center's charity care policy aggregated approximately \$11,886 for the year ended June 30, 2016.

### *Concentration of Funding*

Approximately 21.6% of the Center's funding is provided through IHN-CCO for Oregon Health Plan members. 23.15% of funding is received from the State of Oregon for the Relief Nursery and Healthy Families programs.

### *Contributions*

Contributions are reported as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### *Descriptions of Program and Supporting Services*

The following program and supporting services are included in the accompanying financial statements:

#### *Preventative*

The Healthy Families Program at Old Mill Center promotes and supports positive parenting and healthy growth and development for parents and their newly born children. Healthy Families provides free home visiting services and resources to high risk, first time parents to prevent child abuse.

The Center's Relief Nursery is a therapeutic early childhood program for at-risk children. Comprehensive early intervention services include a variety of parent education options, family strengthening and preservation programs, criminal involvement prevention, special education, advocacy, and substance abuse assessment, counseling treatment and support.

#### *Educational and educational support*

A unique preschool model serving children with special needs along side those who are typically developing. It is the first program of its kind in the United States. One of a handful in the community achieving accreditation through the National Association for the Education of Young Children (NAEYC), it continues to be "a magical place for all children."

The Intensive Treatment Services (ITS) is Psychiatric Day treatment program. Here we provide treatment and support for preschool and school aged children (3-7) with emotional and behavioral challenges and their families. Children enrolled in the ITS program have been unsuccessful at home, typical preschool, child care and/or public school.

# Old Mill Center for Children and Families, Inc

## Notes to Financial Statements

### *Child, Family and Group Counseling*

Child and Family Therapy Department provides mental health counseling and psychiatric services to children and families who have concerns about mental, emotional or behavioral issues. Children may show distress through depression, anxiety, school failure, sleep and eating disorder. These issues may stem from family violence, divorce, sexual abuse, abandonment, parental abuse or drugs or alcohol, and foster care placement.

### *Management and General*

Management and general expenses relate to the overall direction of the Center and include expenses such as activities of the governing board, business management, finance, general recordkeeping, budgeting, and soliciting funds other than contributions.

### *Fundraising*

Fundraising expenses are costs of all activities that constitute an appeal for financial support and contributions.

### *Designation of Unrestricted Net Assets*

It is the policy of the Board of Directors of the Center to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements and acquisitions.

### *Donated Services and Goods*

The Center's success in conducting its' mission is highly dependent on attracting volunteers. A substantial number of volunteers have donated numerous service hours to the Center's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Professional services, when donated, are reflected in the statement of operations at their fair value. Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of the donation.

### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

### *Expense Allocation*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions. Management periodically evaluates its allocation method and revises it when necessary. General and supporting expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction of the Center.

### *Income Taxes*

The Center is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private organization.

# Old Mill Center for Children and Families, Inc

## Notes to Financial Statements

### *Inventories*

Inventories of merchandise purchased for resale are stated at cost determined by the first-in, first-out (FIFO) method.

### *Investments*

Investment balances and return on investments, net of fees, including net appreciation and depreciation, and income and losses, are reported as either restricted or unrestricted, in accordance with donor specifications. Unrestricted, temporarily restricted, and permanently restricted funds are invested in a commingled (pooled) manner. The Center employs a time-weighted dollar value accounting method for pooled investments. Income, gains, losses, net appreciation or depreciation, and investment fees are distributed to each fund.

Investments are presented at fair value as determined by methodologies relevant to each asset class with any related gain or loss reported on the statement of activities. The fair value of the investment funds is based on available information and does not necessarily represent amounts that might ultimately be realized. The fair value may differ significantly from the values which would have been used had a ready market for the funds existed.

Money market accounts are valued by the bank or money market manager. Marketable securities held by mutual funds are valued by the fund manager using closing sales, bid, or ask prices from the primary exchange or from brokers where the security is trading depending upon location, convention or regulation.

The asset allocation of the Center's portfolio is intended to provide exposure to a diverse set of markets. These markets are subject to various risks such as interest rate, market, sovereign, liquidity, event, and credit risks. The Center anticipates that the value of its investments may, from time to time, fluctuate as a result of these risks. The Center believes the carrying amount of these financial instruments is a reasonable estimate of fair value.

Investments are managed in accordance with investment and spending policies approved by the Center's Board of Directors.

### *Fair Value Measurements*

In accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, the Center accounts for its financial instruments at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset in the principal or most advantageous market for the asset. It does not require assets and liabilities that were previously recorded at cost to be recorded at fair value. For assets and liabilities that are already required to be disclosed at fair value, ASC 820 introduced, or reiterated, a number of key concepts which form the foundation of the fair value measurement approach to be used for financial reporting purposes.

Fair value is a market based measurement, not an entity-specific measurement. Therefore, the Center uses assumptions that market participants would use in pricing the asset.

The Center is required by US GAAP to categorize its financial instruments based on the priority of the inputs to the valuation technique into a three level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobserved inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument. Financial instru-

# Old Mill Center for Children and Families, Inc

## Notes to Financial Statements

ments recorded on the state of financial position are categorized based on the inputs to the valuation techniques as follows:

**Level 1** – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The types of investments included in Level 1 are publicly traded mutual funds or equity securities.

**Level 2** – Pricing inputs other than quoted prices in active markets for identical assets and liabilities, including inputs in markets that are not considered to be active.

**Level 3** – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (supported by little or no market activity).

*Unconditional promises to give:* The fair value of unconditional promises to give that are due in more than one year, if material, are estimated by discounting the future cash flows using a current risk free rate of return based on the yield of equivalent U.S. Treasury Bills.

*Beneficial interest in charitable lead annuity trust:* The fair value of a beneficial interest in a charitable lead annuity trust is recorded by discounting the future cash flows from the trust using a current risk free rate of return based on the yield of equivalent U.S. Treasury Bills.

### *Net Client Service Revenue*

Net client service revenue is reported at the estimated net realizable amounts for clients, third-party payers, and others for services rendered. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

### *Promises to Give*

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

### *Property and Equipment*

The Center capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	20 years
Building and improvements	40 years
Furniture and equipment	5 years

### **NOTE B – Receivables**

Accounts receivable as of June 30, 2016:

Accounts receivable	\$ 326,396
Less allowance for doubtful accounts	<u>(45,761)</u>
Accounts receivable, net	<u>\$ 280,635</u>

# Old Mill Center for Children and Families, Inc

## Notes to Financial Statements

### NOTE C – Concentrations of Credit Risk

The Center maintains its cash balances in one financial institution located in Corvallis, Oregon. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016 the Center's uninsured cash balances total \$25,379.

The Center grants credit without collateral to its clients, most are local residents and are insured under third-party payer agreements. The mix of receivables from clients and third-party payers at June 30, 2016 are as follows:

IHN-CCO	42.7%
State of Oregon	45.2%
Commercial third-party payers	5.9%
Others	6.2%
	<u>100.0%</u>

### NOTE D – Property and Equipment

Property and equipment include the following at June 30, 2016:

Land	\$ 114,631
Building	3,348,047
Equipment	<u>305,640</u>
	3,768,318
Less accumulated depreciation	<u>(1,213,232)</u>
	<u>\$ 2,555,086</u>

### NOTE E – Lease

The Center leases additional office space in Albany, Oregon. The lease terminates on March 31, 2018 unless renewed by written agreement between the lessor and lessee. For the lease period from March 1, 2016 through March 31, 2017 the base monthly rent is \$675 per month. For the lease period from April 1, 2017 through March 31, 2018 the base monthly rent is \$695 per month. Rent expense for the year ended June 30, 2016 totaled \$2,700.

Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 8,160
2018	<u>6,255</u>
	<u>\$ 14,415</u>

# Old Mill Center for Children and Families, Inc

## Notes to Financial Statements

### NOTE F – Self-Funded Unemployment Insurance

The Center is self-funded for Oregon state unemployment insurance and has agreement with Unemployment Services Trust (UST) to hold funds and pay claims as received. The Center funds potential claims through deposits to UST based on a percentage of payroll. The deposit funds held by UST totaled \$6,064, at June 30, 2016. Unemployment claims are expensed as paid.

### NOTE G – Beneficial Interest in Charitable Lead Annuity Trust

During 2010, a donor established a trust with a local financial institution naming the Center as the lead beneficiary of a charitable lead annuity trust. Under the terms of the split-interest agreement, the Center is to receive \$30,000 annually for its unrestricted use for a period of ten years. The trust will terminate on February 22, 2020 and the final prorated distribution of \$4,274 will be made at that time. When the trust terminates the remaining trust assets are to be distributed to others. Based on the use of a 2.97% discount rate, the present value of future benefits expected to be received by the Center was estimated to be \$257,117, which was reported in 2010 as a temporarily restricted contribution and a contribution receivable from charitable lead trust. The Center received \$30,000 from the trust during the year ended June 30, 2016, which was recorded as a reduction in the receivable and a corresponding reclassification from temporarily restricted to unrestricted net assets. The Center also recorded amortization of the discount on the estimated present value of future benefits of \$3,230 during the year ended June 30, 2016.

### NOTE H – Fair Value Measurements

The following table presents a summary of the levels within the fair value hierarchy for the Center as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments</b>				
Mutual Funds	\$ 795,629	\$ -	\$ -	\$ 795,629
<b>Unconditional promises to give</b>				
Unconditional promises to give	\$ -	\$ -	\$ -	\$ -
<b>Split-interest agreement</b>				
Beneficial interest in charitable lead annuity trust	\$ -	\$ -	\$ 111,951	\$ 111,951

### NOTE I – Retirement Plans

The Center has a tax-sheltered annuity (TSA) plan as allowed by code section 403(b) of the Internal Revenue Code for its' employees. The plan allows employees to contribute a portion of their wages to their own TSA plan. The Center also has Simplified Employee Pension (SEP) plan, a defined contribution plan. At the Center's option, the Center may contribute to the SEP plan. The Center did not contribute to the SEP plan for the year ended June 30, 2016. TSA and SEP funds are the sole property of each employee that participates in each plan.

# Old Mill Center for Children and Families, Inc

## Notes to Financial Statements

### NOTE J – Net Assets

Details of the Center's net asset categories at June 30, 2016 are as follows:

#### Unrestricted:

Designated for capital reserve	\$ 231,000
Designated for operating reserve	223,151
Invested in property and equipment	2,555,086
Undesignated	<u>262,156</u>
Total unrestricted	<u>3,271,393</u>

#### Temporarily restricted:

Beneficial interest in charitable lead annuity trust	<u>111,951</u>
Total temporarily restricted	<u>111,951</u>

#### Permanently restricted:

Bev Larson's Dream Fund Endowment	68,133
Starker Endowment	137,073
Harper Family Scholarship Fund	39,905
Alan Sugawara Fund	<u>279,368</u>
Total permanently restricted	<u>524,479</u>
Total net assets	<u>\$ 3,907,823</u>

### NOTE K – Endowment and UPMIFA

The Center's endowment consists of four donor-restricted endowment funds (see Note G for individual fund net asset balances). As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of UPMIFA:* The Board of Directors of the Center has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted by Oregon in 2007, as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds (absent explicit donor stipulations to the contrary). As a result of this interpretation, the Center, absent explicit donor stipulations to the contrary, classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriate for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Center and the donor-restricted endowment fund, (3) general economic conditions, (4) the

# Old Mill Center for Children and Families, Inc

## Notes to Financial Statements

possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Center, and (7) the investment policies of the Center.

The composition and changes in donor- restricted endowment net assets for the year ended June 30, 2016, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 245,570	\$ 245,570
Contributions	-	279,368	279,368
Investment income	-	23,479	23,479
Net unrealized loss	-	(23,938)	(23,938)
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 524,479</u>	<u>\$ 524,479</u>

*Return objectives and risk parameters:* The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The long-term investment objective for the Center is to earn a total rate of return from investment assets which shall exceed demands placed on the portfolio to support the Center's spending policies plus the rate of inflation, as measured by the national Consumer Price Index (CPI). Actual returns in any given year may vary from these general return objectives.

*Strategies employed for achieving objectives:* To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

### NOTE L – Subsequent Events

Management has evaluated subsequent events through January 20, 2017 which was the date that the financial statements were available to be issued.