CHILDREN'S TRUST FUND OF OREGON FOUNDATION

FINANCIAL STATEMENTS

AS OF JUNE 30, 2012 AND 2011

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Children's Trust Fund of Oregon Foundation:

I have audited the accompanying statements of financial position of Children's Trust Fund of Oregon Foundation (an Oregon nonprofit corporation) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expense and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Trust Fund of Oregon Foundation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

November 15, 2012

Frederick K. Erickson

CHILDREN'S TRUST FUND OF OREGON FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

	2012	2011
ASSETS:		
Cash	$ 66,214	$ 2,701
Restricted cash	-	3,000
Agency funds (Note 7)	99,575	77,012
Contributions receivable	15,322	5,630
Prepaid expenses	5,870	7,497
Total current assets	186,981	95,840
Investments, at fair value (Note 3)	5,050,181	5,432,303
Office furniture and equipment	18,625	46,428
Less-Accumulated depreciation	(13,374)	(43,724)
Net equipment	5,251	2,704
Other assets, net of amortization	-	2,625
Total assets	$5,242,413	$5,533,472
LIABILITIES:		
Accounts payable	$ 5,886	$ 7,702
Grants payable	78,270	-
Accrued payroll and related taxes	3,542	3,841
Accrued compensated absences	10,211	13,145
Bank overdraft	-	10,097
Payable to other agencies (Note 7)	99,575	77,012
Total current liabilities	197,484	111,797
COMMITMENTS (Note 5)		
NET ASSETS:		
Unrestricted	5,044,929	5,418,675
Temporarily restricted	-	3,000
Total net assets	5,044,929	5,421,675
Total liabilities and net assets	$5,242,413	$5,533,472

The accompanying notes are an integral part of these statements.

CHILDREN'S TRUST FUND OF OREGON FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
UNRESTRICTED NET ASSETS:		
Support and other revenues-		
Contributions	$ 298,262	$ 211,505
Special event income	20,618	33,753
Less-cost of direct benefits to donors	(451)	(20,124)
Other income	22,940	27,815
Investment income	163,217	162,487
Less-investment expense	(37,610)	(38,404)
Net assets released from restrictions	3,000	-
Total revenue	469,976	377,032
Expenses-		
Programs	554,784	505,834
Management and general	55,955	53,755
Fund-raising	40,443	63,679
Total expenses	651,182	623,268
Change in net assets from operations	(181,206)	(246,236)
Change in investment accounts-		
Realized gain, net	92,856	147,741
Unrealized gain (loss), net	(285,396)	574,243
Change in value of investments	(192,540)	721,984
Change in unrestricted net assets	(373,746)	475,748
Net assets, beginning of year	5,418,675	4,942,927
Net assets, end of year	$5,044,929	$5,418,675
TEMPORARILY RESTRICTED NET ASSETS:		
Net assets, beginning of year	$ 3,000	$ -
Restricted revenue	-	3,000
Net assets released from restrictions	(3,000)	-
Net assets, end of year	$ -	$ 3,000

The accompanying notes are an integral part of these statements.

CHILDREN'S TRUST FUND OF OREGON FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSE

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Program Services:		
Payments to grantees	$321,017	$309,250
Payroll, related taxes and benefits	172,985	155,303
Other program expense	9,477	-
Rent	14,054	14,443
Independent evaluation	2,025	3,381
Community education	3,577	3,241
Printing	5,706	1,552
Telephone	4,172	3,673
Travel	1,472	1,108
Professional fees	6,452	4,406
Postage	1,839	3,044
Office expense	12,008	6,433
Total program service expense	$554,784	$505,834
Management and General:		
Payroll, related taxes and benefits	$ 33,206	$ 33,443
Auditing	12,332	10,430
Professional fees	1,144	2,203
Dues	-	65
Communication	736	459
Travel	262	1,275
Depreciation	580	147
Office expense	5,113	3,653
Rent	2,481	1,963
Insurance	101	117
Total management and general expense	$ 55,955	$ 53,755
Fund-raising:		
Payroll, related taxes and benefits	$ 31,340	$ 48,221
Professional fees	1,220	4,405
Advertising	686	2,161
Printing	1,066	2,586
Rent	2,625	1,805
Travel	183	893
Telephone	779	459
Postage	343	870
Office expense	2,201	2,279
Total fund-raising expense	$40,443	$ 63,679

The accompanying notes are an integral part of these statements.

CHILDREN'S TRUST FUND OF OREGON FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

CASH USED BY:	2012	2011
Operating activities-		
Change in net assets	$(373,746)	$478,748
Noncash items in operations-		
Depreciation expense	1,835	1,473
Amortization expense	2,625	1,500
Realized (gain) on investments	(92,856)	(147,741)
Unrealized (gain) loss on investments	285,396	(574,243)
Investment income, net	(125,418)	(124,027)
Change in operating accounts-		
Restricted cash	3,000	(3,000)
Agency funds	(22,563)	(1,112)
Contributions receivable	(9,692)	3,832
Prepaid expense	1,627	2,316
Accounts payable and bank overdraft	66,358	9,334
Accrued payroll expense	(299)	3,841
Accrued compensated absences	(2,934)	(1,260)
Payable to other agencies	22,563	1,112
Net assets released from restrictions	(3,000)	-
Net cash (used) by operations	(247,104)	(349,227)
Investing activities-		
Purchase of equipment	(4,383)	(1,105)
Withdrawals from investment accounts	315,000	276,000
Net cash provided by investing	310,617	274,895
Increase (decrease) in cash	63,513	(74,332)
CASH, beginning of year	2,701	77,033
CASH, end of year	$ 66,214	$ 2,701

The accompanying notes are an integral part of these statements.

CHILDREN'S TRUST FUND OF OREGON FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF THE ORGANIZATION:

Children's Trust Fund of Oregon Foundation (the Foundation) is a nonprofit corporation organized under the laws of the State of Oregon. The primary purpose of the Foundation is to foster healthy child development by ending child abuse and neglect to Oregon's children. The Foundation provides grants to community-based educational and service programs designed to reduce the occurrence of child abuse and neglect. The Foundation is staffed by a full-time director and two part-time assistants.

Prior to July 1, 2001 the Foundation operated as part of the State of Oregon. On July 1, 2001, the Foundation was reorganized as a new tax-exempt entity separate from the State of Oregon.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

It is the Foundation's policy to follow the accounting principles prescribed for nonprofit organizations in Statements of Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958. Accordingly, it is the Foundation's policy to record as increases to unrestricted net assets revenues from providing services, receiving unrestricted contributions and receiving investment income on investments. Cash inflows and pledges that bear temporary restrictions which have not been satisfied at the end of the fiscal year are included in temporarily restricted net assets. Permanently restricted net assets include contributions which bear permanent donor restrictions. Unless there are restrictions imposed by the donor, all investment income and expense and investment gains and losses are included in unrestricted activity.

Income Taxes

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

Management Estimates

In preparing financial statements in accordance with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Contributions

In accordance with FASB ASC 958,contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. Gifts and contributions are recorded at fair value. Unconditional promises to give are recorded when promised and conditional promises to give are recorded when conditions are met.

Office Furniture and Equipment

Office furniture and equipment is stated at cost. Donated property is recorded at its fair market value at the date of receipt. When assets are disposed of, the cost and related accumulated depreciation is removed from the accounts and any gain or loss is recorded in the statement of activity. In general, assets costing more than $200 are capitalized. Minor assets costing less than $200 and normal repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated service lives of the assets. Service lives are estimated to be 5 years. Depreciation expense was $1,835 and $1,473 in 2012 and 2011, respectively.

Contributions Receivable

Contributions receivable includes the following:

	2012	2011
Workplace giving campaign	$ 9,919	$4,002
Tax check-off campaign	2,703	-
Other receivables	2,700	1,628
	$15,322	$5,630

Cash Flows

The Foundation prepares its cash flow statement using the indirect method. For purposes of the cash flow statement, the Foundation considers all demand deposits with banks (excluding restricted cash and agency funds) to be cash. Cash held in the investment accounts is considered an investment. The Foundation did not pay cash for income taxes or interest expense for the years ending June 30, 2012 or 2011.

Joint Costs

The Foundation allocates joint costs to program, fund-raising or administrative expense based on the nature of the service provided. Allocation of payroll related expenses are based on management estimates of time spent.

Advertising

The Foundation expenses advertising costs as incurred. Total advertising cost was $1,323 and $5,204 for the years ending June 30, 2012 and 2011, respectively.

Reclassification

Certain reclassifications have been made to 2011 balances to conform to the 2012 presentation.

Consideration Of Subsequent Events

For purposes of evaluating the effect of subsequent events on these financial statements, known events and transactions occurring through November 15, 2012, the date the statements were to be released have been considered.

Recent Accounting Guidance Not Yet Adopted

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs*, which amends ASC 820. ASU 2011-04 also requires the categorization by level for items that are only required to be disclosed at fair value and information about transfers between Level 1 and Level 2. In addition, the ASU provides guidance on measuring the fair value of financial instruments managed within a portfolio and the application of premiums and discounts on fair value measurements. The ASU requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and interrelationships between those inputs. The new guidance is effective for reporting periods beginning after December 15, 2011. The adoption will not have a material effect on the statement of net assets available for benefits and statement of changes in net assets available for benefits. Plan management has not determined the impact on the disclosures in the financial statements.

Uncertain Tax Positions

Accounting principles generally accepted in the United States of America require Foundation management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more-likely-than-not would not be sustained upon examination by the Internal Revenue Service. The Foundation has analyzed the tax positions taken and has concluded that as of June 30, 2012 there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits for any open tax years. The Foundation believes it is no longer subject to income tax examinations for years prior to 2009.

3. INVESTMENTS:

Investments in marketable securities are carried at fair market value as measured at June 30, 2012 and 2011. Accordingly, unrealized gains or losses are recorded for the increase or decrease in market value of assets. At June 30, 2012 and 2011, the investment accounts are summarized as follows:

	2012		2011	
	Cost	Market Value	Cost	Market Value
Equities-				
Common stock	$1,318,130	$1,620,075	$1,397,304	$1,743,484
Mutual funds	854,444	1,034,103	868,327	1,257,706
Bonds-				
Government bonds	497,004	545,988	591,343	629,574
Corporate bonds	546,696	554,916	444,253	461,801
Mutual funds	1,149,974	1,178,176	1,171,734	1,232,802
Cash and equivalents	116,923	116,923	106,936	106,936
Total	$4,483,171	$5,050,181	$4,579,897	$5,432,303

Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures,* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 for financial assets are described as follows:

Level 1 - Valuations are based on quoted prices that the Foundation has the ability to obtain in actively traded markets for identical assets. Since valuations are based on quoted prices that are readily and regularly available in an active market or exchange traded market, valuation of these instruments does not require a significant degree of judgment.

Level 2 - Valuations are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Valuations are based on model-based techniques for which some or all of the assumptions are obtained from indirect market information that is significant to the overall fair value measurement and which require a significant degree of management judgment.

The following table sets forth by level, within the fair value hierarchy, the investment assets at fair value as of June 30, 2012 and 2011:

	Level 1	Level 2	Level 3
2012			
Equities-			
Common Stock	$1,620,075	$ -	$ -
Equity Mutual Funds	1,034,103	-	-
Bonds-			
Government bonds	545,988	-	-
Corporate bonds	-	554,916	-
Fixed Income Mutual Funds	1,178,176	-	-
Cash and equivalents	116,923	-	-
Total assets at fair value	$4,495,265	$554,916	$ -

	Level 1	Level 2	Level 3
2011			
Equities-			
Common Stock	$1,743,484	$ -	$ -
Equity Mutual Funds	1,257,706	-	-
Bonds-			
Government bonds	629,574	-	-
Corporate bonds	-	461,801	-
Fixed Income Mutual Funds	1,232,802	-	-
Cash and equivalents	106,936	-	-
Total assets at fair value	$4,970,502	$461,801	$ -

In 2012 and 2011 all valuations are based on published prices available to the investment managers. In each year, there were no transfers from level 1 to level 2 or 3 and there were no transfers from level 2 or 3 to level 1.

4. CONCENTRATIONS:

On occasion the Foundation has deposits with Union Bank of California in excess of the FDIC insurance limit of $250,000. Also, the investment accounts are not covered by FDIC insurance.

5. COMMITMENTS:

Grants

The Foundation makes grants to selected nonprofit service providers. The programs proposed by the service providers are carefully evaluated and if the grant is approved it is conditioned upon the service provider participating in a periodic evaluation and site visit process as prescribed by the Foundation. Failure to meet the expectations of the Foundation can result in the grant being terminated. Consequently, the unpaid grants are considered conditional and are not recorded as expense until they are paid. At June 30, 2012, grants awarded for payment in the year ending June 30, 2013 totaled $315,600.

Office Lease

The Foundation occupies its office space under a noncancellable lease which expires April 30, 2016. The monthly rent is $1,782. At June 30, 2012 the remaining obligation under this lease is as follows:

Year ending June 30	Amount
2013	$21,487
2014	22,138
2015	22,804
2016	19,474
Thereafter	-
	$85,903

6. RETIREMENT PLAN:

The Foundation maintains a defined contribution retirement plan for the benefit of its employees who are 21 years old and have completed six months of service. The plan contains a thrift feature (i.e. a 401(k) provision) which entitles the participants to contribute a portion of their compensation to the plan on a pre-tax basis. For the years ending June 30, 2012 and 2011, the Foundation matched employee contributions up to 3% of compensation and, in addition, the Foundation made a discretionary contribution of 10% of each participant's covered compensation. The total cost of the plan for the years ending June 30, 2012 and 2011 was $16,759 and $23,221, respectively.

7. AGENCY FUNDS:

The Foundation collected contributions and made disbursements on behalf of Mt. Pleasant School, Model Court Conference, Shoulder-to-Shoulder Keep Kids Safe License Plates, Washington County Foster Forward and Campaign Fund Drive during the years ending June 30, 2012 and 2011. The Foundation acts in the capacity as a fiscal agent and these transactions are not included in the Statement of Activities. In the Statement of Financial Position, these contributions are included as agency funds and payable to other agencies. The change in cash received and cash disbursed for these entities during the year was:

	Campaign Fund Drive	Keep Kids Safe	Model Court Confer.	Mt. Pleasant	Shoulder to Shoulder	Washington County Foster Forward	Total
Balance at 6/30/10	$ 66,241	$ -	$ 4,595	$ 5,064	$ -	$ -	$ 75,900
Funds Rec.	1,097,038	-	-	-	10,925	-	1,107,963
Funds Disb.	(1,103,674)	-	-	(5,064)	-	-	(1,108,738)
Balance at 6/30/11	59,605	-	4,595	-	10,925	-	75,125
Funds Rec	1,435,568	36,395	-	23,630	51,750	1,725	1,549,068
Funds Disb.	(1,415,445)	(32,135)	-	(23,630)	(51,658)	(1,750)	(1,524,618)
Balance at 6/11/12	$ 79,728	$ 4,260	$ 4,595	$ -	$11,017	$ (25)	$ 99,575