

CHILDREN'S TRUST FUND OF OREGON FOUNDATION  
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FINANCIAL STATEMENTS

AS OF JUNE 30, 2013 AND 2012

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 financial statements of Children's Trust Fund of Oregon Foundation (an Oregon nonprofit corporation), which comprise the statements of financial position as of June 30, 2013 and 2012 and the related statements of activities and changes in net assets, functional expense, and cash flows for the years 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 the financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 from material misstatement.

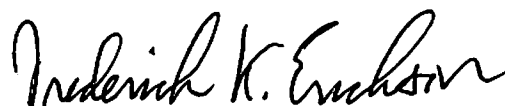
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

November 12, 2013



CHILDREN'S TRUST FUND OF OREGON FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS:</b>		
Cash	\$ 10,537	\$ 66,214
Agency funds (Note 3)	38,421	99,575
Contributions receivable	7,114	15,322
Prepaid expenses	2,829	5,870
	-----	-----
Total current assets	58,901	186,981
Investments, at fair value (Note 4)	5,324,968	5,050,181
Office furniture and equipment	19,879	18,625
Less-Accumulated depreciation	(14,726)	(13,374)
	-----	-----
Net equipment	5,153	5,251
	-----	-----
Total assets	\$5,389,022	\$5,242,413
	=====	=====
<b>LIABILITIES:</b>		
Accounts payable	\$ 3,591	\$ 5,886
Grants payable	-	78,270
Accrued payroll and related taxes	883	3,542
Accrued compensated absences	16,345	10,211
Payable to other agencies (Note 3)	38,421	99,575
	-----	-----
Total current liabilities	59,240	197,484
<b>COMMITMENTS (Note 6)</b>		
<b>NET ASSETS:</b>		
Unrestricted	5,329,782	5,044,929
	-----	-----
Total liabilities and net assets	\$5,389,022	\$5,242,413
	=====	=====

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, 2013 AND 2012

	2013	2012
<b>UNRESTRICTED NET ASSETS:</b>		
Support and other revenues-		
Contributions	\$ 319,040	\$ 298,262
Special event income	31,623	20,618
Less-cost of direct benefits to donors	(9,632)	(451)
Other income	62,828	22,940
Investment income	163,562	163,217
Less-investment expense	(35,956)	(37,610)
Net assets released from restrictions	-	3,000
	-----	-----
Total revenue	531,465	469,976
Expenses-		
Programs	(598,041)	(554,784)
Management and general	(55,140)	(55,955)
Fund-raising	(40,612)	(40,443)
	-----	-----
Total expenses	(693,793)	(651,182)
	-----	-----
Decrease in net assets from operations	(162,328)	(181,206)
Change in investment accounts-		
Realized gain, net	412,344	92,856
Unrealized gain (loss), net	34,837	(285,396)
	-----	-----
Change in value of investments	447,181	(192,540)
	-----	-----
Change in unrestricted net assets	284,853	(373,746)
Net assets, beginning of year	5,044,929	5,418,675
	-----	-----
Net assets, end of year	\$5,329,782	\$5,044,929
	=====	=====
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Net assets, beginning of year	\$ -	\$ 3,000
Restricted revenue	-	-
Net assets released from restrictions	-	(3,000)
	-----	-----
Net assets, end of year	\$ -	\$ -
	=====	=====

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Program Services:</b>		
Payments to grantees	\$318,477	\$321,017
Payroll, related taxes and benefits	209,921	172,985
Insurance	1,728	-
Rent	14,610	14,054
Independent evaluation	6,131	2,025
Community education	7,645	3,577
Prevent Child Abuse (Oregon) expense	7,775	-
Professional development	1,460	4,172
Travel	1,588	1,472
Professional fees	2,857	6,452
Workplace Giving Campaigns	4,376	-
Other expense	21,473	29,030
	-----	-----
Total program service expense	\$598,041	\$554,784
	=====	=====
<b>Management and General:</b>		
Payroll, related taxes and benefits	\$ 34,245	\$ 33,206
Auditing	11,605	12,332
Professional fees	486	1,144
Workplace Giving Campaigns	727	-
Professional development	243	-
Travel	264	262
Depreciation	1,351	580
Office expense	3,504	5,849
Rent	2,428	2,481
Insurance	287	101
	-----	-----
Total management and general expense	\$ 55,140	\$ 55,955
	=====	=====
<b>Fund-raising:</b>		
Payroll, related taxes and benefits	\$ 31,251	\$ 31,340
Professional fees	414	1,220
Advertising	2,419	686
Insurance	252	-
Rent	2,127	2,625
Travel	231	183
Workplace Giving Campaigns	637	779
Professional development	213	-
Other expense	3,068	3,610
	-----	-----
Total fund-raising expense	\$ 40,612	\$ 40,443
	=====	=====

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, 2013 AND 2012

CASH USED BY:	<u>2013</u>	<u>2012</u>
Operating activities-		
Change in net assets	\$284,853	\$(373,746)
Noncash items in operations-		
Depreciation expense	1,352	1,835
Amortization expense	-	2,625
Realized (gain) on investments	(412,344)	(92,856)
Unrealized (gain) loss on investments	(34,837)	285,396
Investment (income), net	(127,606)	(125,418)
Change in operating accounts-		
Restricted cash	-	3,000
Agency funds	61,154	(22,563)
Contributions receivable	8,208	(9,692)
Prepaid expense	3,041	1,627
Accounts payable	(80,565)	66,358
Accrued payroll expense	(2,659)	(299)
Accrued compensated absences	6,134	(2,934)
Payable to other agencies	(61,154)	22,563
Net assets released from restrictions	-	(3,000)
	-----	-----
Net cash (used) by operations	(354,423)	(247,104)
Investing activities-		
Purchase of equipment	(1,254)	(4,383)
Withdrawals from investment accounts	300,000	315,000
	-----	-----
Net cash provided by investing	298,746	310,617
	-----	-----
Increase (decrease) in cash	(55,677)	63,513
CASH, beginning of year	66,214	2,701
	-----	-----
CASH, end of year	\$ 10,537	\$ 66,214
	=====	=====

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, a full-time associate and two part-time associates.

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, if any, would 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 \$1,352 and \$1,835 in 2013 and 2012, respectively.

Contributions Receivable

Contributions receivable includes the following:

	<u>2013</u>	<u>2012</u>
Workplace giving campaign	\$4,039	\$ 9,919
Tax check-off campaign	2,075	2,703
Other receivables	1,000	2,700
	-----	-----
	\$7,114	\$15,322
	=====	=====

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, 2013 or 2012.



### 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 \$2,415 and \$1,323 for the years ending June 30, 2013 and 2012, respectively.

### Consideration Of Subsequent Events

For purposes of evaluating the effect of subsequent events on these financial statements, known events and transactions occurring through November 12, 2013, the date the statements were available to be released have been considered.

### 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, 2013 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. AGENCY FUNDS:

The Foundation acts as the fiscal agent for certain other nonprofit organizations providing service to families and children. The Foundation receives contributions and makes distributions on behalf of those organizations. The transactions related to these organizations are not included in the Statement of Activity. Cash balances related to these Organizations are presented in the Statement of Financial Position as agency funds with a corresponding liability for payable to other agencies. The 2012 balances of agency funds and payable to other agencies include \$79,728 of cash controlled by the Charitable Fund Drive. Assets and liabilities related to the Charitable Fund Drive are not included in the 2013 statement of financial condition due to the Charitable Fund Drive's control over cash. Presently, the Foundation provides fiscal services to Keeping Families Together, Shoulder to Shoulder, Keep Kids Safe License Plates and Pagatim.

4. INVESTMENTS:

Investments in marketable securities are carried at fair market value as measured at June 30, 2013 and 2012. Accordingly, unrealized gains or losses are recorded for the increase or decrease in market value of assets. At June 30, 2013 and 2012, the investment accounts are summarized as follows:

	2013		2012	
	Cost	Market Value	Cost	Market Value
<b>Equities-</b>				
Common stock	\$1,309,319	\$1,766,385	\$1,318,130	\$1,620,075
Mutual funds	1,183,437	1,311,439	854,444	1,034,103
<b>Fixed Income-</b>				
Government bonds	404,216	434,198	497,004	545,988
U.S. Agency bonds	196,729	193,085	-	-
Corporate bonds	563,483	559,562	546,696	554,916
Mutual funds	901,518	918,301	1,149,974	1,178,176
Cash and equivalents	141,998	141,998	116,923	116,923
<b>Total</b>	<b>\$4,700,700</b>	<b>\$5,324,968</b>	<b>\$4,483,171</b>	<b>\$5,050,181</b>

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, 2013 and 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2013</u>			
Equities-			
Common Stock	\$1,766,385	\$ -	\$ -
Equity Mutual Funds	1,311,439	-	-
Bonds-			
U.S. Government bonds	434,198	-	-
U.S. Govt. Agency bonds	-	193,085	-
Corporate bonds	-	559,562	-
Fixed Income Mutual Funds	918,301	-	-
Cash and equivalents	141,998	-	-
Total assets at fair value	----- \$4,572,321 =====	----- \$752,647 =====	----- \$ - =====
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2012</u>			
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 =====	----- \$ - =====

In 2013 and 2012 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.

5. CONCENTRATIONS:

On occasion the Foundation could have deposits with Pacific Continental Bank in excess of the FDIC insurance limit of \$250,000. Also, the investment accounts are not covered by FDIC insurance.

6. 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, 2013, grants awarded for payment in the years ending June 30, 2014 and 2015 totaled \$550,000.

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, 2013 the remaining obligation under this lease is as follows:

<u>Year ending</u> <u>June 30</u>	<u>Amount</u>
2014	\$22,138
2015	22,804
2016	19,474
Thereafter	-
	-----
	\$64,416
	=====

7. 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, 2013 and 2012, 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, 2013 and 2012 was \$19,383 and \$16,759, respectively.