

Albertina Kerr Centers

Consolidated Financial Statements and Other Information
as of and for the Year Ended June 30, 2010
and Report of Independent Accountants

ALBERTINA KERR CENTERS

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Letter from the Chief Financial Officer

The financial statements and other information contained in this report have been prepared by management, which is responsible for the information's integrity and objectivity. The financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and are deemed to present fairly the financial position of ALBERTINA KERR CENTERS and the changes in its net assets and cash flows. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality.

As a means of fulfilling its responsibility for the integrity of financial information included in this report, management relies on a system of internal controls established to ensure, within reasonable limits, that assets are safeguarded against loss or unauthorized use, that transactions are properly recorded and executed in accordance with management's authorization, and that the accounting records can be relied upon to prepare financial statements in accordance with generally accepted accounting principles. This

system is augmented by careful selection and training of qualified personnel and the dissemination of written policies and procedures.

The financial statements have been examined by the organization's independent accountants, GARY MCGEE & CO., whose report follows. Their examinations were made in accordance with generally accepted auditing standards. The Board of Directors meets periodically with management and the independent accountants to review accounting, auditing, internal accounting controls, and financial reporting matters, and to ensure that all responsibilities are fulfilled with regard to the objectivity and integrity of the organization's financial statements. The Board of Directors also reviews the scope and results of Albertina Kerr Centers' audit, and current and emerging accounting and financial requirements and practices affecting the organization.

Jerry Hoffert
Chief Financial Officer
Albertina Kerr Centers



REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
Albertina Kerr Centers:*

We have audited the accompanying consolidated statement of financial position of Albertina Kerr Centers as of June 30, 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Albertina Kerr Centers' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the consolidated financial statements of Albertina Kerr Centers as of June 30, 2009 and, in our report dated November 2, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Albertina Kerr Centers' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Albertina Kerr Centers as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information, which is also the responsibility of Albertina Kerr Centers' management, has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

November 2, 2010

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

(WITH COMPARATIVE AMOUNTS FOR 2009)

	2010	2009
Assets:		
Cash and cash equivalents	\$ 4,216,666	1,134,861
Contract receivables (note 4)	1,112,451	2,322,760
Contributions receivable (note 5)	173,138	292,082
Prepaid expenses, deposits, and other current assets	397,927	333,642
Investments (note 6)	3,788,155	2,986,487
Beneficial interest in assets held by the Oregon Community Foundation (note 7)	113,054	102,382
Contributions receivable from charitable remainder unitrusts (note 8)	3,203,543	2,565,354
Other long-term assets	25,692	383,805
Land, buildings, equipment, and property rights (notes 9, 12 and 13)	8,984,858	8,927,468
Total assets	\$ 22,015,484	19,048,841
Liabilities:		
Accounts payable and accrued expenses	545,757	580,298
Accrued payroll liabilities	2,207,148	2,116,871
Deferred revenues and amounts refundable to grantors (note 10)	116,863	19,874
Other liabilities (note 11)	206,248	244,820
Capital lease obligations (note 12)	237,144	412,452
Long-term debt (note 13)	1,390,354	1,471,128
Total liabilities	4,703,514	4,845,443
Net assets:		
Unrestricted:		
Available for programs and general operations	2,878,911	1,172,228
Designated by Board for long-term investment (note 15)	4,828,924	1,441,763
Cumulative endowment losses (note 15)	(62,062)	(204,260)
Net investment in capital assets	5,357,253	5,257,192
Total unrestricted	13,003,026	7,666,923
Temporarily restricted (note 15)	2,487,918	4,757,024
Permanently restricted (note 15)	1,821,026	1,779,451
Total net assets	17,311,970	14,203,398
Commitments and contingencies (notes 14, 18, 19, 20, 21 and 22)		
Total liabilities and net assets	\$ 22,015,484	19,048,841

See accompanying notes to consolidated financial statements.

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010			Total	2009
	Unrestricted	Temporarily restricted	Permanently restricted		
Revenues, gains, and other support:					
Contract service fees	\$ 36,733,286	–	–	36,733,286	32,736,539
Grants and contributions	1,518,839	577,530	12,435	2,108,804	2,785,363
Special events, net of direct costs of \$255,337 in 2010 and \$91,547 in 2009	347,030	–	29,504	376,534	369,871
Sales, net of cost of sales of \$116,790 in 2010 and \$129,150 in 2009	436,042	–	–	436,042	399,599
Investment income	53,996	–	1,305	55,301	80,969
Net appreciation (decline) in the fair value of investments	260,562	45,181	3,868	309,611	(698,048)
Increase (decrease) in the beneficial interest in assets held by the Oregon Community Foundation	10,672	–	–	10,672	(26,717)
Increase (decrease) in the carrying value of contributions receivable from charitable remainder unitrusts	–	638,189	–	638,189	(283,034)
Net change in the actuarial value of charitable gift annuity agreements	(6,765)	–	(5,537)	(12,302)	(23,874)
Net gain (loss) on disposal of assets	(186,006)	–	–	(186,006)	13,220
Other	347,201	–	–	347,201	186,018
Total revenues and gains	39,514,857	1,260,900	41,575	40,817,332	35,539,906
Net assets released from restrictions (<i>note 16</i>)	3,530,006	(3,530,006)	–	–	–
Total revenues, gains, and other support	43,044,863	(2,269,106)	41,575	40,817,332	35,539,906
Expenses (<i>note 17</i>):					
Program services	34,227,369	–	–	34,227,369	32,406,231
Management and general	2,650,257	–	–	2,650,257	2,267,129
Resource development	465,270	–	–	465,270	422,526
Volunteer managed businesses	365,864	–	–	365,864	348,266
Total expenses	37,708,760	–	–	37,708,760	35,444,152
Increase (decrease) in net assets	5,336,103	(2,269,106)	41,575	3,108,572	95,754
Net assets at beginning of year	7,666,923	4,757,024	1,779,451	14,203,398	14,107,644
Net assets at end of year	\$ 13,003,026	2,487,918	1,821,026	17,311,970	14,203,398

See accompanying notes to consolidated financial statements.

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010				Total	2009
	Program services	Management and general	Resource development	Volunteer managed businesses		
Salaries and related costs	\$ 25,632,067	1,925,573	251,988	148,991	27,958,619	26,725,458
Clinical and other						
contract labor	1,085,715	21,353	–	–	1,107,068	1,073,294
Legal and professional fees	461,608	67,565	44	–	529,217	541,209
Liability insurance	107,738	23,473	443	405	132,059	146,658
Program supplies	1,039,881	1,085	–	33,431	1,074,397	1,016,057
Office supplies	141,990	91,110	856	20,930	254,886	255,790
Telecommunications						
and information systems	464,947	57,740	11,058	1,081	534,826	395,631
Facilities	2,198,398	35,834	6,506	115,763	2,356,501	2,404,183
Equipment costs	137,134	8,003	616	3,375	149,128	120,651
Vehicle expense	556,374	7,113	228	–	563,715	521,158
Public relations						
and fundraising	6,084	323,760	181,327	7,406	518,577	252,091
Foster and respite fees	1,350,501	–	–	–	1,350,501	974,030
Interest	102,893	1,889	–	–	104,782	100,732
Other	147,554	72,915	5,099	644	226,212	163,621
Total expenses before depreciation and amortization	\$ 33,432,884	2,637,413	458,165	332,026	36,860,488	34,690,563
Depreciation and amortization	794,485	12,844	7,105	33,838	848,272	753,589
Total expenses	\$ 34,227,369	2,650,257	465,270	365,864	37,708,760	35,444,152

See accompanying notes to consolidated financial statements.

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010	2009
Cash flows from operating activities:		
Cash received from contractors, grantors, contributors, and others	\$ 40,396,740	34,873,523
Cash received from sales of associated businesses	552,832	528,749
Investment income received	55,301	80,969
Cash paid to employees and suppliers	(36,409,800)	(34,121,524)
Interest paid	(104,782)	(100,732)
Net cash provided by operating activities	4,490,291	1,260,985
Cash flows from investing activities:		
Capital expenditures	(941,228)	(1,049,101)
Cash proceeds received on the sale of investments	88,919	79,589
Purchases of investments	(525,812)	(346,963)
Reinvestment of investment income	(55,164)	(80,852)
Net cash used in investing activities	(1,433,285)	(1,397,327)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital acquisition and long-term investment	447,733	395,152
Distributions to charitable gift annuity beneficiaries	(16,412)	(15,917)
Proceeds from the issuance of long-term debt	-	100,000
Principal reductions of long-term debt	(80,774)	(76,954)
Payments made on capital lease obligations	(325,748)	(73,184)
Net cash provided by financing activities	24,799	329,097
Net increase in cash and cash equivalents	3,081,805	192,755
Cash and cash equivalents at beginning of year	1,134,861	942,106
Cash and cash equivalents at end of year	\$ 4,216,666	1,134,861

Supplemental schedule of noncash investing and financing activities

Capital assets financed through capital lease obligations (<i>note 12</i>)	\$ 150,440	139,740
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See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

1. Organization

A private nonprofit organization headquartered in Portland since 1907, Albertina Kerr Centers helps children, adults, and families in Oregon who face mental health challenges and developmental disabilities, empowering them to lead fuller, self-determined lives. Private donations and community support make this vital work possible.

We believe all children and adults with developmental disabilities and mental health challenges will thrive in nurturing homes and inclusive communities.

2. Summary of Significant Accounting Policies

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

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Principles of Consolidation – The accompanying financial statements include the accounts of Albertina Kerr Centers; the Albertina Kerr Centers Foundation (the “Foundation”); Kerr Bikes, LLC; and The Old Kerr Nursery Association (“TOKNA”), a voluntary association that operates Albertina's restaurant, the Kerr Gift Shop, and Kerr's Economy Jar and Annex for the benefit of the organization's programs. All significant interorganizational investments, accounts, and transactions have been eliminated.

Basis of Presentation – The organization has adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 958-605, *Revenue Recognition* and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, 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 organization 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 organization and/or the passage of time. These balances represent the unexpended portion of externally restricted contributions and investment return to be used for specific programs and activities as directed by the donor.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

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.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of the organization's management, such differences would not be significant.

Cash Equivalents – For purposes of the financial statements, the organization considers all liquid investments having initial maturities of three months or less to be cash equivalents. Cash and cash equivalents held as part of the organization's investment portfolio, and where management's intention is to use the cash to acquire investments to be held long-term, are classified as investments.

Investments – Investments are carried at fair value. Net appreciation (decline) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is reported in the statement of activities. Interest income is accrued as earned, and is presented net of investment advisory fees (totaling \$9,580 for the year ended June 30, 2010).

The organization has some exposure to investment risks, including interest rate, market, and credit risks. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Capital Assets and Depreciation – Generally, property and equipment with a carrying value of \$3,000 or more are capitalized and reported at cost when purchased, and at market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally forty years for buildings, ten years (or the length of the lease term, if less) for leasehold improvements, and three to five years for furniture, equipment, and vehicles.

The organization periodically reviews the carrying amount of its capital assets whenever events or circumstances provide evidence that suggests that the carrying amount may not be recoverable. If this review indicates that capital assets may not be recoverable, the organization reviews the expected undiscounted future net operating cash flows from the use of these assets. If such assets are considered to be impaired, the impairment in value is recognized as a charge in the statement of activities. The impairment charge is the difference between the carrying amount of the capital assets and its fair value. As of June 30, 2010, the organization does not believe there is any indication that the carrying value or the amortization of its capital assets has been impaired during the year ended June 30, 2010.

Beneficial Interest in Trusts – The organization receives contributions of property in which the donor or donor-designated beneficiary may retain a life interest. The assets are invested and administered by either a trustee or the organization, and distributions are made to the beneficiaries during the term of the agreement. These funds are invested in debt and equity securities, and the organization records its interest in these trusts at fair value based on estimated future cash receipts. Initial recognition and subsequent adjustments to the assets' carrying values are reported as a change in the value of split-interest trusts in the accompanying financial statements, and are classified as permanently restricted, temporarily restricted, or unrestricted depending on the existence of donor-imposed purpose or time restrictions, if any.

Endowment Funds and Interpretation of

Relevant Law – Effective January 1, 2008, the State of Oregon adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) which governs Oregon charitable institutions with respect to the management, investment, and expenditure of donor-restricted endowment funds.

The Board of Directors has interpreted Oregon’s adoption of UPMIFA as requiring the organization to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the organization has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment’s purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment’s original gift may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as temporarily restricted until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Any investment return classified as permanently restricted represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

With regard to endowment losses or appropriations in excess of the fair value of the original gift, in accordance with FASB ASC No. 958-320, *Investments – Debt and Equity Securities*, the portion of a donor-restricted endowment that is classified as permanently restricted is not reduced by losses on the investments of the fund, except to the extent required by the donor, including losses related to specific investments that the donor requires the organization to hold in perpetuity. Similarly, the amount of permanently restricted net assets is not reduced by the organization’s appropriations from the fund. In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces unrestricted net assets.

In accordance with UPMIFA, the Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its endowment, while also seeking to maintain the long-term purchasing power of the endowment assets. Therefore, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policies of the organization.

To meet that objective, the organization's policies limit the spending of investment income and appreciation to a maximum of 7.0% of the market value of such investments calculated on March 31 of the preceding year. During the year ended June 30, 2010, the organization's Board of Directors appropriated \$35,409 from donor-restricted endowment funds in accordance with this policy. In addition, the organization's Board of Directors authorized the appropriation of \$418,191 from Board designated-endowment funds to help cover the costs of some non-recurring operating expenses.

Contributions – Contributions are recognized as revenues in the period received. Unconditional promises to give (pledges) are recognized as revenues when the commitment is communicated to the organization. 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 of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released over the period of the asset's intended useful life.

In-Kind Contributions – The organization receives contributed services from a large number of volunteers who assist in fundraising efforts through their participation in a range of businesses and activities. In accordance with FASB ASC No. 958-605, *Revenue Recognition*, the values of such services, which the organization considers not practicable to estimate, have not been recognized in the statement of activities. Significant services received which create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not donated are recognized in the statement of activities. During the year ended June 30, 2010, the organization recorded \$390,445 of contributed services related to the Wraparound Project, \$78,556 in other donated program related services, and \$90,283 in donated services related to special events.

In-kind contributions of equipment and other materials, and free use of facilities are recorded where there is an objective basis upon which to value these contributions and where the contributions are an integral part of the organization's activities. During the year ended June 30, 2010, \$90,019 in in-kind contributions of program goods and materials, and \$76,652 in donated goods for special events were recorded by the organization. Also, during the year ended June 30, 2010, the organization reported \$21,600 in in-kind contributions associated with the use of program facilities at discounted rates, and \$13,489 in the free use of meeting facilities for special events.

Outstanding Legacies – The organization is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The organization's share of such bequests is recorded when the probate court has declared the testamentary instrument valid and the proceeds are measurable.

Revenue Recognition – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned.

Benefits Provided to Donors at Special Events

– The organization conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the organization.

Advertising and Promotional Expenses – Advertising and promotional costs are charged to expense as they are incurred.

Concentrations of Credit Risk – The organization's investments consist primarily of financial instruments, including cash equivalents, equity securities, fixed income securities, money market funds, and similar interests, as well as an interest in assets held by the Oregon Community Foundation ("OCF").

Cash equivalents may subject the organization to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC up to \$250,000 per depositor, per insured bank, for each account ownership category. In addition, the FDIC's temporary Transaction Account Guarantee ("TAG") Program counts at participating FDIC-insured institutions.

This unlimited protection is available (through December 31, 2010) only at insured depository institutions that continue to participate in the TAG Program. Beginning January 1, 2011 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will be fully insured, regardless of the amount in the account, at all FDIC-insured institutions. As of June 30, 2010, the organization held \$4,058,101 in cash balances at a depository institution which no longer participated in the TAG Program as of July 1, 2010.

The fair value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values. The organization's beneficial interest in assets held by OCF (see note 7) is subject to changes in the market values of the underlying assets owned by OCF (from which the value of the organization's beneficial interest has been derived), and is also dependent on the value of the assets being commensurate with the value of distributions expected to be made to the organization by OCF in future years.

Certain receivables may also, from time to time, subject the organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible amounts.

Income Taxes – Both the Albertina Kerr Centers and Albertina Kerr Centers Foundation are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and comparable state law. Albertina Kerr Centers has been recognized as a public charity under Sections 170(b)(1)(a)(vi) and 509(a)(1) of the IRC. The Albertina Kerr Centers Foundation derives its public charity status as a Type I supporting organization described in IRC Section 509(a)(3). As a single member LLC controlled by a nonprofit organization, Kerr Bikes, LLC is treated for tax purposes as a disregarded entity.

Subsequent Events – As required by FASB ASC No. 855-10, *Subsequent Events*, subsequent events have been evaluated by management through November 2, 2010, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2009 – The accompanying financial information as of and for the year ended June 30, 2009, is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

3. Program Services

During the year ended June 30, 2010, the organization incurred program service expenses in the following major categories:

Crisis Psychiatric Care – At times children and families may temporarily require additional intensive mental health services in a safe and secure setting when a child is in danger of hurting themselves or others. The Crisis Psychiatric Care program is able to offer children a short term residential placement and 24 hour access to mental health professionals to address urgent mental health crises. Children receive a psychiatric assessment by a psychiatrist, individual and family therapy with a Master level clinician, and a physical health exam.

Community-Based Outpatient Services – This program provides mental health treatment, skills training and family support to help maintain children in the community and out of institutions. Counseling in the home and follow-up in the community are key parts of the program.

Community Inclusion Program – Offers opportunities for people with developmental disabilities to participate in the workforce, join in community activities and pursue hobbies that enrich their lives. The goal is for the people we serve to reach their own potential through expanded social relationships and increased independence, productivity and community integration.

Family Resource Center – The center is a safe place for families in our community who are raising a child with mental health and behavioral challenges to gather for peer support, share experiences and hold family activities and events. Families also benefit from an extensive resource library including access to internet resources. Workshops are provided by other family members who have had similar experiences and professionals in the mental health field.

Group Homes for Adults – Twenty-eight neighborhood homes provide 24-hour care for individuals with developmental disabilities. The focus is to assist the individuals we serve to be independent and to gain increased choice and control over their lives. Activities include skill development goals, basic day-to-day life choices and social and recreational activities.

Group Homes for Youth – These 15 neighborhood homes offer 24-hour support and life skills training for youth with developmental disabilities and mental health challenges that require specialized care and treatment.

Intensive Community-Based Treatment Services – Serves children ages 3 to 17 who are at risk of being unable to stay in their home or in school due to a mental health condition. Supports children in their home, school and community. Services include home-based therapy, supervision, crisis response and skills training in a variety of settings to improve the child’s ability to live successfully while maintaining the child safely in their home setting. Mental health services and supports are individualized, comprehensive, coordinated, child-centered, family-driven and culturally competent.

Intensive Treatment Program – The Intensive Treatment Program (ITP) is a ten-bed secure treatment and education program for youth referred by the juvenile courts. ITP serves youth with developmental disabilities, many of whom have concurrent mental health challenges. In a residential setting, they receive education, therapy, skills training and placement services.

Kerr Early Intervention Program (“KEIP”) – KEIP works with 3 to 5-year-olds who struggle with emotional issues and learning delays. In partnership with the Multnomah Education Service District, KEIP provides education, therapy and counseling so that every child can enter school ready to learn.

Supported Living – Helps individuals with developmental disabilities who live in their own homes improve their skills in personal care, cooking, shopping and other daily activities, giving them the opportunity to lead more independent lives.

Special Needs Foster Care – This program provides longer-term homes and care for children with developmental disabilities and mental health challenges who are less likely to be reunited with their birth family or adopted. Focus is on extensive support of the foster families to care for children that have many challenging needs. Staff provides skills training for children as they began transition to self-sufficiency as an adult.

Therapeutic Foster Care – Children in this program have experienced abuse and neglect. As a result, they have emotional challenges and developmental challenges that require special services and therapy. Staff train and provide a wide range of 24-hour support to foster families to create a sense of safety and security for the children served so that they can be successful.

Treatment Foster Care – Serves children, who often require more individual care and face significant mental health challenges. Treatment foster care services provide children with a home- and community-based alternative to restrictive residential settings. Foster parents have extensive experience working with children facing mental health challenges. In addition to the training and assistance that all Albertina Kerr foster families receive, treatment foster families receive 24-hour support and clinical oversight from a therapist. This additional support equips them to provide active and structured treatment in their homes.

Foster Family Care Network – A partnership between Albertina Kerr and Morrison Child & Family Services, the network recruits, trains and certifies the best possible foster parents.

Wraparound Oregon – Albertina Kerr is the sponsor for this innovative public-private partnership focused on improving the lives of children with severe emotional challenges involved in multiple systems. The pilot project began in January of 2005 and seeks change in the management of child welfare, juvenile justice, education and mental health to allow agencies to share governance and resources.

4. Contract Receivables

At June 30, 2010, the organization reported outstanding receivables as follows:

Contract payments receivable	\$	422,445
Other program service fees receivable		780,061
		<hr/>
		1,202,506
Less allowance for uncollectible receivables		(90,055)
		<hr/>
	\$	1,112,451

5. Contributions Receivable

Contributions receivable, net are summarized as follows at June 30, 2010:

Unconditional promises expected to be collected in:

Less than one year	\$	100,005
One to five years		84,500
		<hr/>
		184,505
Less discount ¹		(6,367)
Less allowance		(5,000)
		<hr/>
	\$	173,138

¹Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4.5%.

Contributions receivable, net are intended by donors for the following purposes:

Donor-restricted endowment	\$	127,898
Support of general programs and operations		45,240
		<hr/>
	\$	173,138

6. Investments

Investments, which are carried at fair value, consist of the following at June 30, 2010:

Mutual funds	\$	3,349,487
Equity securities		186,146
Preferred securities		16,132
Fixed income bonds		59,255
Money funds, sweep options, and other cash equivalents		177,135
		<hr/>
	\$	3,788,155

Investments are held for the following purposes:

Donor-restricted endowment	\$	1,631,066
Unappropriated endowment earnings		25,878
Other		2,131,211
		<hr/>
	\$	3,788,155

7. Beneficial Interest in Assets Held by the Oregon Community Foundation

The organization has established certain Board-designated endowment funds at the Oregon Community Foundation (“OCF”). In accordance with FASB ASC No. 958-605, *Revenue Recognition*, the organization accounts for its interest in these funds using the equity method of accounting, which approximates the present value of the estimated expected future cash flows that will inure to the organization.

Changes in the organization’s beneficial interest in these funds for the year ended June 30, 2010 are summarized as follows:

Balance at beginning of year	\$	102,382
Additions to the funds		–
Increase in the beneficial interest in assets held by the Oregon Community Foundation		10,672
<hr/>		
Balance at end of year	\$	113,054

Under the terms of its agreements with OCF, the organization may receive quarterly distributions of investment return in accordance with OCF’s spending policies (currently 4.5% of a trailing 13-quarter market value average). Additional distributions can be made at any time by the affirmative vote of a three-quarter majority of the organization’s Board of Directors and with the approval of OCF. During the year ended June 30, 2010, there were no distributions to the organization.

8. Contributions Receivable from Charitable Remainder Unitrusts

The organization has been named the beneficiary of several irrevocable charitable remainder unitrusts. The current beneficiaries of the trusts receive a percentage each year of the net fair market value of the assets of the trusts, valued annually. Upon the deaths of the beneficiaries, the organization will receive either a percentage or all of the remaining assets of the trusts. A contribution receivable of \$398,608 was recorded at June 30, 2010, representing the actuarially determined present value of the estimated future cash flows that will inure to the organization, using a discount rate of 6.0%.

In addition, at June 30, 2010 the organization held a \$2,804,935 remainder interest in a charitable trust for which the last living beneficiary passed away in June of 2010. Accordingly, the organization interest in the trust has been adjusted to reflect the current fair value of the assets held in trust.

9. Land, Buildings, Equipment, and Property Rights

A summary of land, buildings, equipment, and property rights at June 30, 2010 is as follows:

Land	\$	563,678
Buildings		9,372,454
Improvements		2,549,041
Furniture and equipment		2,034,066
Vehicles		1,363,567
Property rights		153,430
Construction in-progress		68,084
<hr/>		
		16,104,320
Less accumulated depreciation and amortization		(7,119,462)
<hr/>		
	\$	8,984,858

10. Deferred Revenues and Amounts Refundable to Grantors

Deferred revenues and amounts refundable to grantors at June 30, 2010 are summarized as follows:

Amounts refundable to grantors	\$	15,377
Other		101,486
	\$	116,863

11. Other Liabilities

At June 30, 2010, the following summarizes the organization's other liabilities:

Funds held on behalf of others	\$	128,285
Make-whole pension accrual (note 18)		3,183
Liabilities associated with charitable gift annuities ¹		74,780
	\$	206,248

¹ Included in the organization's investment balances at June 30, 2010 are \$137,680 in assets invested in mutual funds associated with six charitable gift annuities held at June 30, 2010. Under the terms of these gifts, the organization has agreed, in return for the gifted assets, to make payments to gift beneficiaries for the balance of their lives. Upon the death of the beneficiary (and, in certain cases, the beneficiary's spouse), the organization will receive the balance of the remaining assets. At June 30, 2010, the organization recorded a liability for these charitable gift annuities, representing the actuarially determined present value of the estimated future payments to be made to the beneficiaries using discount rates ranging from 2.5% to 10.0%. The liability recorded at June 30, 2010 totaled \$74,780.

State law requires, among other things, that the issuer of charitable gift annuities maintain certain minimum reserves, calculated in accordance with rules promulgated in Chapter 731.038 of the Oregon Revised Statutes. These rules also mandate that the reserves be held in separate investment accounts. The minimum reserves required by law at June 30, 2010 totaled \$74,780.

12. Capital Lease Obligations

The organization leases certain vehicles under capital leases expiring between October of 2012 and April of 2015. The assets and related liabilities under these leases have been recorded at the present value of the minimum lease payments. Leased assets with a carrying value of \$292,088 are depreciated over the estimated useful life of the assets. Accumulated depreciation on these assets at June 30, 2010 totaled \$65,970.

Minimum future lease payments under this capital lease, as of June 30, 2010, are as follows:

<i>Years ending June 30,</i>	
2011	\$ 73,664
2012	68,664
2013	62,472
2014	51,929
2015	15,665
	272,394
Less unamortized interest	(35,250)
Present value of net minimum lease payments	\$ 237,144

13. Long-Term Debt

The acquisition and rehabilitation of the organization's properties include costs financed through loans received from various parties. The following obligations, all secured by property and associated trust deeds unless noted otherwise, were outstanding at June 30, 2010:

Two notes with the City of Gresham, Oregon, with the proceeds used to finance \$90,163 in sewer assessment charges. Interest is at 5.68%. Interest and principal are due in monthly payments of \$629 through August of 2018.

\$ 49,880

Wells Fargo Bank. \$450,000 for construction of the Sub-Acute psychiatric residential treatment facility. This is a 20-year loan with rate adjustments every five years. In conjunction with this loan, the State of Oregon awarded a 4.0% tax credit which effectively reduces the market interest rate to 5.24%, also adjustable every five years. Pre-payment penalties will not be assessed at the adjustment dates, but could apply if prepayment was made at any other time. Costs incurred to acquire the loan were \$16,419 and are being amortized on a straight-line basis over the life of the loan. Interest and principal are due in monthly payments of \$2,571 through November of 2017.

209,642

Bank of America. \$156,000 to acquire the Donohoe Avenue group home in Eugene, Oregon. Interest is at 6.25%. Interest and principal are due in monthly payments of \$1,139 through August of 2025.

133,494

Bank of America. \$999,900 to refinance conventional loans associated with four program facilities located in Eugene, Cornelius, Hillsboro, and Salem, and to finance the acquisition of an additional program facility in Portland. Costs incurred to acquire the loan were \$49,545 and are being amortized on a straight-line basis over the life of the loan. Interest and principal are due in monthly payments of \$8,255, with interest carried at a fixed rate of 5.53%, through March of 2023.¹

897,338

Meyer Memorial Trust, unsecured, with the proceeds used to finance a \$100,000 investment in Kerr Bikes, LLC. Interest is at 2.0%. Interest due in quarterly payments of \$500, principal due July 31, 2013.

100,000

\$ 1,390,354

¹ The Bank of America loan of \$999,900, undertaken during the year ended June 30, 2008, utilized the "Small Nonprofit Accelerated Program" ("SNAP") Bond, which is a tax-exempt bond issued by the Oregon Facilities Authority and exchanged with, in this case, Bank of America in return for the loan made by the Bank to Albertina Kerr Centers. A type of private placement bond, this method of financing provided the organization with a streamlined approach to the financing and significantly reduced fees.

The loan is secured by certain real property. In addition, to ensure an additional measure of liquidity on both this loan and the organization's line of credit (see note 14), the loan agreement with Bank of America requires that the Albertina Kerr Centers Foundation, a separately incorporated entity that supports Albertina Kerr Centers, guarantee the loan by maintaining a minimum of unrestricted, unencumbered liquid assets in an amount equal to the amount of the outstanding liability.

Obligations for future payments of principal are summarized as follows:

<i>Years ending June 30,</i>	
2011	\$ 86,038
2012	90,095
2013	94,649
2014	199,248
2015	104,162
Thereafter	816,162
	<u>\$ 1,390,354</u>

14. Line of Credit

At June 30, 2010, the organization had available an unsecured line of credit in the amount of \$1.5 million. Interest is based on the British Bankers' Association London Interbank Offered Rate ("BBA LIBOR") rate (adjusted daily) plus 2.0%. Borrowings are payable in full on February 2, 2011. At June 30, 2010, no balance was outstanding under this arrangement.

15. Restrictions and Limitations on Net Asset Balances

Board-Designated Net Assets

At June 30, 2010, \$4,828,924 had been designated by the Board of Directors for endowment purposes.

Temporarily Restricted Net Assets

Temporarily restricted net assets held at June 30, 2010 represent \$2,487,918 in contributions, grants, and other unexpended revenues and gains available for specific program purposes and future periods, as follows:

<i>Unexpended cash:</i>	
Wraparound program	\$ 56,056
Landmark unexpended endowment earnings	25,878
Other	7,269
<i>Cash restricted to acquire capital assets and other net investment in capital assets to be amortized:</i>	
Group home properties	1,145,612
Information technology software	185,176
Building repairs and other building projects and investments	609,319
Future acquisition of a group home	60,000
<i>Other:</i>	
Contributions receivable from charitable remainder unitrusts	398,608
	\$ 2,487,918

Permanently Restricted Net Assets

At June 30, 2010, the organization held \$1,821,026 in endowment funds. The investment income earned on the investment of these permanently restricted net assets is either restricted or unrestricted as follows:

Income unrestricted	\$ 950,465
Income restricted for:	
Landmark Preservation Fund – improvements to the Old Kerr Nursery Association building	232,125
Chaplaincy program	638,436
	\$ 1,821,026

Cumulative Endowment Adjustment

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. As of June 30, 2010, the organization had incurred cumulative investment losses on its endowment funds totaling \$62,062 in excess of unappropriated accumulated endowment earnings. Accordingly, in order to report the losses as required by FASB ASC No. 958-320, *Investments – Debt and Equity Securities*, the excess losses and appropriations have been classified as transactions of the unrestricted net asset class and will be reinstated out of future endowment earnings.

The organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The following summarizes the organization's endowment-related activities for the year ended June 30, 2010:

	Donor-restricted endowment			Total	Board-designated endowment unrestricted	Total endowment
	Unrestricted	Temporarily restricted	Permanently restricted			
Endowment net assets at beginning of year	\$ (204,260)	–	1,779,451	1,575,191	1,441,763	3,016,954
Grants and contributions	–	–	41,939	41,939	340,391	382,330
Investment return	158,304	45,181	5,173	208,658	166,791	375,449
Net change in the actuarial value of charitable gift annuity agreements	–	–	(5,537)	(5,537)	(6,765)	(12,302)
Transfer of funds	–	–	–	–	3,304,935	3,304,935
Appropriation of endowment assets for expenditure	(16,106)	(19,303)	–	(35,409)	(418,191)	(453,600)
Endowment net assets at end of year	\$ (62,062)	25,878	1,821,026	1,784,842	4,828,924	6,613,766

16. Net Assets Released from Restrictions

During the year ended June 30, 2010, the organization incurred \$3,530,006 in expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restrictions by the occurrence of other events. Accordingly, a corresponding amount has been reported as a reclassification from temporarily restricted net assets to unrestricted net assets in the accompanying statement of activities.

17. Expenses

The costs of providing the various programs and other activities of the organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on certain estimates made by management.

Expenses are presented in their natural categories in the statement of functional expenses.

18. Employee Retirement Plans

The organization sponsors a defined contribution retirement savings plan covering substantially all employees who have completed one year of service with the organization and greater than 1,000 hours worked. The plan was established under Section 401(k) of the Internal Revenue Code, with the organization matching employee contributions in the amount of 100% of the first 3.0% of salary deferred and contributed to the plan by the employee, and 50% of the next 2.0% of salary deferred and contributed to the plan by the employee.

The plan also includes an additional discretionary employer contribution component, whereby the organization may contribute to the plan a discretionary amount to each eligible employee on an annual basis. During the year ended June 30, 2010, the organization contributed \$95,914 as a part of the plan's matching component described above. No additional discretionary contributions were made to the plan.

In conjunction with the termination of a defined benefit pension plan in 1998, the organization's Board of Directors has provided for an additional contribution to be made each year to "make whole" all employees over the age of 50 as of the date of the plan's termination, with a combined age and years of service totaling at least 60. Employees eligible for this "make whole" allotment will only receive this if they are employed at December 31 of each Section 401(k) plan year. The future liability for this "make whole" provision was determined using a discount factor of 7.5%. At June 30, 2010, a liability of \$3,183 is reflected in the accompanying financial statements for this obligation. See note 11.

19. Contingencies

Amounts received or receivable under the organization's governmental contracts are subject to audit and adjustment by the grantor agencies. Any expenditures or claims disallowed as a result of such audits would become a liability of the organization's unrestricted net assets. In the opinion of the organization's management, any adjustments that might result from such audits would not be material to the organization's overall financial statements.

20. Self-Insurance Programs

The organization is self-insured for unemployment claims. The estimated liability for such claims is based upon management's estimate as of June 30, 2010, and includes provisions for known claims and estimates of incurred but unreported claims. Although the organization's actual expense upon the ultimate disposition of the claims may vary from this estimate, the organization holds general unrestricted funds that are in excess of the recorded liability at June 30, 2010.

Changes in the reported liability for self-insured unemployment claims during the year ended June 30, 2010 resulted from the following:

Liability at beginning of year	\$	289,738
Current year claims		274,174
Current year change in estimates		132,601
Claim payments		(349,238)
Liability at end of year	\$	347,275

21. Operating Lease Commitments

The organization leases various administrative and program office facilities and equipment under non-cancelable operating leases which expire in various years through 2015. The organization has the option to renew many of these leases at various terms and amounts.

At June 30, 2010, the approximate minimum rental commitments under these leases are as follows:

<i>Years ending June 30,</i>	
2011	\$ 626,915
2012	424,297
2013	293,346
2014	195,791
2015	59,177
	<hr/>
	\$ 1,599,526

Rent expense for the year ended June 30, 2010 totaled \$547,544, including \$21,600 in donated use of facilities. Equipment lease costs totaled \$120,980.

22. Litigation

From time to time, the organization is involved in various unresolved legal actions and claims in the ordinary course of its business involving services provided to severely abused and neglected children, young people with significant mental health and behavioral problems, families in crisis, and individuals with developmental disabilities. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss or recovery, the organization believes these unresolved legal actions will not have a material adverse effect on its financial position, results of operations, or cash flows.

23. Fair Value Measurements

Included in the accompanying financial statements are certain financial instruments carried at fair value. These instruments include:

- Investments
- Beneficial interest in assets held by the Oregon Community Foundation
- Contributions receivable from charitable remainder unitrusts

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale; similarly, the fair value of a liability is the amount at which the liability could be transferred in a current transaction between willing parties. Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

All financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Continued

- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the organization’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At June 30, 2010, the following financial assets are measured at fair value on a recurring basis:

	Level 1	Level 3	Total
Investments (<i>note 6</i>)	\$ 3,788,155	–	3,788,155
Beneficial interest in assets held by the Oregon Community Foundation (<i>note 7</i>)	–	113,054	113,054
Contributions receivable from charitable remainder unitrusts (<i>note 8</i>)	–	3,203,543	3,203,543
	\$ 3,788,155	3,316,597	7,104,752

The changes in valuation of Level 3 assets using significant unobservable inputs are as follows:

	Beneficial interest in assets held by the Oregon Community Foundation	Contributions receivable from charitable remainder unitrusts	Total
Fair value at beginning of year	\$ 102,382	2,565,354	2,667,736
Increase in the beneficial interest in assets held by the Oregon Community Foundation	10,672	–	10,672
Increase in the carrying value of contributions receivable from charitable remainder unitrusts	–	638,189	638,189
Fair value at end of year	\$ 113,054	3,203,543	3,316,597
	[A]	[B]	

[A] Measured at fair value based upon a discounted cash flow analysis of the expected income, which is equivalent to the fair value of the underlying assets held by the Oregon Community Foundation. Management’s estimate of fair value is based solely upon information provided by the Oregon Community Foundation.

[B] Measured at fair value based upon a discounted cash flow analysis of the expected income, taking the fair value of the assets held in trust and the life expectancy of the current beneficiaries into consideration (see note 8).

24. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 3,108,572
<hr/>	
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	836,470
Amortization of property rights	11,802
Amortization of fees	4,138
Net appreciation in the fair value of investments	(309,611)
Increase in the beneficial interest in assets held by the Oregon Community Foundation	(10,672)
Increase in the carrying value of contributions receivable from charitable remainder unitrusts	(638,189)
Net change in the actuarial value of charitable gift annuity agreements	12,302
Net loss on disposal of capital assets	186,006
Contributions restricted for capital acquisition and long-term investment	(447,733)
<i>Net changes in:</i>	
Contract receivables	1,210,309
Contributions receivable	118,944
Prepaid expenses, deposits, and other current assets	(68,423)
Other long-term assets	358,113
Accounts payable and accrued expenses	(34,541)
Accrued payroll liabilities	90,277
Deferred revenues and amounts refundable to grantors	96,989
Other liabilities	(34,462)
<hr/>	
Total adjustments	1,381,719
<hr/>	
Net cash provided by operating activities	\$ 4,490,291
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25. Reclassification of 2009 Comparative Totals

Certain 2009 amounts presented herein have been reclassified to conform to the 2010 presentation.

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ALBERTINA KERR CENTERS

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2010

(WITH COMPARATIVE AMOUNTS FOR 2009)

	2010				Total	2009
	Albertina Kerr Centers	Kerr Bikes, LLC	Albertina Kerr Centers Foundation	Consoli- dating elimination entries		
Assets:						
Cash and cash equivalents	\$ 3,757,887	118,838	339,941	—	4,216,666	1,134,861
Contract receivables	1,112,451	—	—	—	1,112,451	2,322,760
Contributions receivable	24,993	—	148,145	—	173,138	292,082
Prepaid expenses, deposits, and other current assets	333,303	18,121	46,503	—	397,927	333,642
Investments	137,679	—	3,650,476	—	3,788,155	2,986,487
Beneficial interest in assets held by the Oregon Community Foundation	—	—	113,054	—	113,054	102,382
Beneficial interest in Albertina Kerr Centers Foundation	7,192,677	—	—	(7,192,677)	—	—
Membership interest in Kerr Bikes, LLC	—	—	—	—	—	—
Contributions receivable from charitable remainder unitrusts	—	—	3,203,543	—	3,203,543	2,565,354
Other long-term assets	—	—	25,692	—	25,692	383,805
Land, buildings, equipment, and property rights	8,871,786	74,098	38,974	—	8,984,858	8,927,468
Intraorganizational receivable (payable)	407,456	(72,786)	(334,670)	—	—	—
Total assets	\$ 21,838,232	138,271	7,231,658	(7,192,677)	22,015,484	19,048,841
Liabilities:						
Accounts payable and accrued expenses	495,863	38,259	11,635	—	545,757	580,298
Accrued payroll liabilities	2,207,148	—	—	—	2,207,148	2,116,871
Deferred revenues and amounts refundable to grantors	89,505	12	27,346	—	116,863	19,874
Other liabilities	206,248	—	—	—	206,248	244,820
Capital lease obligations	237,144	—	—	—	237,144	412,452
Long-term debt	1,290,354	100,000	—	—	1,390,354	1,471,128
Total liabilities	4,526,262	138,271	38,981	—	4,703,514	4,845,443
Net assets:						
Unrestricted	15,241,400	—	4,954,303	(7,192,677)	13,003,026	7,666,923
Temporarily restricted	2,051,719	—	436,199	—	2,487,918	4,757,024
Permanently restricted	18,851	—	1,802,175	—	1,821,026	1,779,451
Total net assets	17,311,970	—	7,192,677	(7,192,677)	17,311,970	14,203,398
Total liabilities and net assets	\$ 21,838,232	138,271	7,231,658	(7,192,677)	22,015,484	19,048,841

ALBERTINA KERR CENTERS

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010				Total	2009
	Albertina Kerr Centers	Kerr Bikes, LLC	Albertina Kerr Centers Foundation	Consoli- dating elimination entries		
Revenues, gains, and other support:						
Contract service fees	\$ 36,733,286	–	–	–	36,733,286	32,736,539
Grants and contributions	1,871,505	34,067	1,248,184	(1,044,952)	2,108,804	2,785,363
Special events, net	–	–	376,534	–	376,534	369,871
Sales, net	–	–	436,042	–	436,042	399,599
Investment income	3,257	–	52,044	–	55,301	80,969
Net appreciation (decline) in the fair value of investments	9,652	–	299,959	–	309,611	(698,048)
Increase (decrease) in the beneficial interest in assets held by the Oregon Community Foundation	–	–	10,672	–	10,672	(26,717)
Increase (decrease) in the fair value of contributions receivable from charitable remainder unitrusts	–	–	638,189	–	638,189	(283,034)
Net change in the actuarial value of charitable gift annuity agreements	(12,302)	–	–	–	(12,302)	(23,874)
Net gain (loss) on disposal of assets Other	(187,211)	1,205	7,687	–	(186,006)	13,220
Net change in beneficial interest in Albertina Kerr Centers Foundation	1,097,875	–	–	(1,097,875)	–	–
Net change in membership interest in Kerr Bikes, LLC	420	–	–	(420)	–	–
Total revenues, gains, and other support	39,735,685	155,583	3,069,311	(2,143,247)	40,817,332	35,539,906
Expenses:						
Program services	34,072,206	155,163	–	–	34,227,369	32,406,231
Management and general	2,554,907	–	95,350	–	2,650,257	2,267,129
Resource development	–	–	465,270	–	465,270	422,526
Volunteer managed businesses	–	–	365,864	–	365,864	348,266
Grants to Albertina Kerr Centers and Kerr Bikes, LLC	–	–	1,044,952	(1,044,952)	–	–
Total expenses	36,627,113	155,163	1,971,436	(1,044,952)	37,708,760	35,444,152
Increase (decrease) in net assets	3,108,572	420	1,097,875	(1,098,295)	3,108,572	95,754
Net assets at beginning of year	14,203,398	(420)	6,094,802	(6,094,382)	14,203,398	14,107,644
Net assets at end of year	\$ 17,311,970	–	7,192,677	(7,192,677)	17,311,970	14,203,398

GOVERNING BOARD AND MANAGEMENT

2009-2010 Board of Directors

Douglas D. Morris, JD, *Chair*
Partner
Ater Wynne, LLP

Colin R. Cave, MD, *Chair-Elect*
Board Chair & Surgeon
Northwest Permanente

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Sr. Vice President & General
Counsel
Precision CastParts Corporation

Christopher Adamek
Practice Director
ACME Business Consulting

David Andersen
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Andersen Construction Company

Shelley Barnes
Consumer Representative
Family Consultant, OHSU

Douglas Bogen
Area Manager
Eaton Electrical

Mariel Combs
Attorney, Pacific NW Region
U.S. Dept. of the Interior, Office
of the Solicitor

Anthony Cracchiolo
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U.S. Bank Equipment & Finance

Angela Hult
Assistant Director,
Strategic Communications
Regence Blue Cross Blue Shield

Celia Murphey
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David Reinhart
Managing Principal
CresaPartners

Margaret Rowland, MD
Chief Medical Officer
CareOregon, Inc.

Rich Smith
Vice President, Human Resources
Kaiser Permanente

David Streicher, JD, CPA
Attorney at Law/CPA
Black Helterline, LLP

Serilda Summers
Assistant, Dean of Residence Life
Reed College

Kathryn Underhill, JD
Attorney
Juvenile Rights Project

Karin Wandtke, CPA
Partner
McDonald Jacobs

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Information Officer

Susan Stanley
Vice President of Human
Resources

ALBERTINA KERR CENTERS

INQUIRIES AND OTHER INFORMATION

Administrative Offices

ALBERTINA KERR CENTERS
424 N.E. 22nd Avenue
Portland, Oregon 97232

(503) 239-8101
(503) 239-8106 Fax

E-Mail

info@albertinakerr.org