GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Albertina Kerr Centers

Consolidated Financial Statements and Other Information as of and for the Year Ended June 30, 2022 and Report of Independent Accountants

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Letter from the Chief Executive 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. LLP, whose report follows. Their examinations were made in accordance with generally accepted auditing standards. The Board of Directors periodically meets 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.

Allison Stark
Chief Executive Officer

November 16, 2022

GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Albertina Kerr Centers:

Opinion

We have audited the accompanying consolidated financial statements of Albertina Kerr Centers, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Albertina Kerr Centers as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Albertina Kerr Centers and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Albertina Kerr Centers' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Albertina Kerr Centers' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Albertina Kerr Centers' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating schedules on pages 29 and 30 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Summarized Comparative Information

We have previously audited Albertina Kerr Centers' 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Geffen Mesher & Co. LLP

November 16, 2022

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(WITH COMPARATIVE AMOUNTS FOR 2021)

	2022	2021
Assets:		
Cash and cash equivalents	$ 8,896,969	7,168,664
Accounts receivable *(note 4)*	2,088,598	3,746,265
Contributions receivable *(note 5)*	764,658	128,838
Prepaid expenses, deposits, and other current assets	461,800	428,884
Investments *(note 6)*	9,196,209	10,780,096
Beneficial interest in assets held by the Oregon Community Foundation *(note 7)*	214,873	234,831
Contributions receivable from charitable remainder unitrusts *(note 8)*	265,888	356,401
Other long-term assets	45,875	42,135
Land, buildings, equipment, and property rights *(notes 9 and 11)*	54,602,007	31,239,541
Interest rate swap agreement *(note 11)*	63,301	–
Total assets	$ 76,600,178	54,125,655
Liabilities:		
Accounts payable and accrued expenses	2,020,092	804,145
Construction payables	4,115,437	1,485,302
Accrued payroll liabilities	1,530,790	1,577,991
Deferred revenues and amounts refundable to grantors	72,493	104,550
Other liabilities *(note 10)*	571,532	391,659
Long-term debt *(note 11)*	21,895,667	4,792,593
Interest rate swap agreement	–	55,062
Total liabilities	30,206,011	9,211,302
Net assets:		
Without donor restrictions:		
Available for programs and general operations	7,639,871	8,305,286
Designated by the Board for endowment *(note 13)*	6,498,651	7,665,404
Net investment in capital assets	28,654,204	24,906,584
Limited Partner's equity in AKC LP *(note 16)*	(121,767)	–
Total without donor restrictions	42,670,959	40,877,274
With donor restrictions *(note 12)*	3,723,208	4,037,079
Total net assets	46,394,167	44,914,353
Commitments and contingencies *(notes 9, 16, 17, 18, 19, and 20)*		
Total liabilities and net assets	$ 76,600,178	54,125,655

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

	2022			
	Without donor restrictions	With donor restrictions	Total	2021
Operating revenues, gains, and other support:				
Contract service fees	$ 38,417,389	–	38,417,389	45,213,489
Grants and contributions	6,556,133	2,802,034	9,358,167	2,614,481
Special events, net of direct costs of $44,923 in 2022 and $73,492 in 2021	343,029	–	343,029	435,302
Sales, net of cost of sales of $5,394 in 2022 and $8,239 in 2021	9,183	–	9,183	10,148
Investment return *(note 6)*	(4,535)	–	(4,535)	4,572
Other revenues	493,612	–	493,612	1,461,046
Total operating revenues and gains	45,814,811	2,802,034	48,616,845	49,739,038
Appropriation of Board-designated endowment assets for expenditure	249,987	–	249,987	241,775
Appropriation of donor-restricted endowment assets for expenditure	–	98,052	98,052	93,144
Net assets released from restrictions for operating purposes *(note 14)*	2,741,211	(2,741,211)	–	–
Total operating revenues, gains, and other support	48,806,009	158,875	48,964,884	50,073,957
Expenses *(note 15)*:				
Program services	41,178,956	–	41,178,956	42,740,496
Management and general	5,023,067	–	5,023,067	3,509,435
Resource development	374,964	–	374,964	894,487
Total expenses	46,576,987	–	46,576,987	47,144,418
Net operating results [A]	$ 2,229,022	158,875	2,387,897	2,929,539

[A] The net 2022 operating results include depreciation and amortization expense of $1,663,034.

Continued

CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

	2022			
	Without donor restrictions	With donor restrictions	Total	2021
Non-operating activities:				
Capital contributions and grants	$ –	426,000	426,000	561,800
Endowment contributions	–	22,000	22,000	–
City of Gresham Workforce Housing grant *(note 16)*	–	–	–	11,200,000
Endowment return *(note 6)*	(904,535)	(415,037)	(1,319,572)	2,084,078
Net change in the beneficial interest in assets held by the Oregon Community Foundation *(note 7)*	(12,221)	–	(12,221)	64,595
Appropriation of Board-designated endowment assets for expenditure	(249,987)	–	(249,987)	(241,775)
Appropriation of donor-restricted endowment assets for expenditure	–	(98,052)	(98,052)	(93,144)
Net change in the carrying value of contributions receivable from charitable remainder unitrusts *(note 23)*	–	(90,513)	(90,513)	74,712
Net change in the actuarial value of charitable gift annuity agreements	(7,604)	(1,148)	(8,752)	(8,818)
Net gain (loss) on disposal of assets	304,651	–	304,651	(78,294)
Net assets released from restrictions for capital purposes *(note 14)*	315,996	(315,996)	–	–
Net change in the fair value of interest rate swap agreement	118,363	–	118,363	65,209
Total non-operating activities	(435,337)	(472,746)	(908,083)	13,628,363
Increase (decrease) in net assets	1,793,685	(313,871)	1,479,814	16,557,902
Net assets at beginning of year	40,877,274	4,037,079	44,914,353	28,356,451
Net assets at end of year	$ 42,670,959	3,723,208	46,394,167	44,914,353

See accompanying notes to consolidated financial statements.

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

		2022				
		Program services	Management and general	Resource development	Total	2021
Salaries and related costs	$	32,223,192	3,077,535	241,990	35,542,717	38,414,625
Clinical and other contract labor		193,409	577,562	762	771,733	356,514
Legal and professional fees		1,204,176	458,509	20,587	1,683,272	573,309
Liability insurance		242,516	62,179	2,332	307,027	334,633
Program supplies		1,044,938	8,243	–	1,053,181	1,174,768
Office and other supplies		59,369	37,679	261	97,309	171,792
Telecommunications and information systems		575,519	298,777	28,774	903,070	765,549
Facilities		2,313,072	156,602	34,937	2,504,611	2,206,637
Equipment costs		146,993	6,464	728	154,185	129,006
Vehicle expense		354,195	1,190	181	355,566	356,835
Public relations and fundraising		18,061	96,869	19,617	134,547	392,083
Interest		189,995	19,628	–	209,623	191,103
Other		1,051,506	131,872	13,734	1,197,112	479,495
Total expenses before depreciation and amortization		39,616,941	4,933,109	363,903	44,913,953	45,546,349
Depreciation and amortization		1,562,015	89,958	11,061	1,663,034	1,598,069
Total expenses	$	41,178,956	5,023,067	374,964	46,576,987	47,144,418

See accompanying notes to consolidated financial statements.

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
Cash flows from operating activities:		
Cash received from contractors, grantors, contributors, and others	$ 49,467,154	48,227,629
Cash received from sales	14,577	18,387
Investment income received	168,501	127,257
Cash paid to employees and suppliers	(43,263,373)	(46,015,008)
Interest paid	(203,638)	(191,103)
Net cash provided by operating activities	6,183,221	2,167,162
Cash flows from investing activities:		
Capital expenditures	(22,714,014)	(9,161,171)
Capitalized debt issuance costs	(3,000)	(1,013,194)
Cash proceeds received on the sale of assets	623,300	21,750
Cash proceeds received on the sale of investments	259,420	271,275
Reinvestment of investment income	(168,141)	(127,257)
Net cash used in investing activities	(22,002,435)	(10,008,597)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital acquisition and long-term investment	458,000	11,751,269
Distributions to charitable gift annuity beneficiaries	(10,570)	(10,720)
Proceeds received on the issuance of long-term debt	17,657,174	1,961,978
Principal reductions of long-term debt	(557,085)	(455,751)
Net cash provided by financing activities	17,547,519	13,246,776
Net increase in cash and cash equivalents	1,728,305	5,405,341
Cash and cash equivalents at beginning of year	7,168,664	1,763,323
Cash and cash equivalents at end of year	$ 8,896,969	7,168,664

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

A private, non-profit organization, Albertina Kerr Centers has been headquartered in Portland, Oregon since 1907. Albertina Kerr strengthens Oregon families and communities by helping children and adults with mental health challenges and developmental disabilities, empowering them to live richer lives. Private donations and community support make this vital work possible.

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; Albertina Kerr Centers Foundation (the "Foundation"); Kerr Bikes, LLC; Gresham WFH GP, LLC; AKC LP and The Old Kerr Nursery Association ("TOKNA"). All significant inter-organizational investments, accounts, and transactions have been eliminated.

Basis of Presentation – Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Albertina Kerr Centers and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, the organization's Board of Directors may designate a portion of these net assets for particular purposes and objectives.

- *Net assets with donor restrictions* – 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 donor-restricted contributions and investment return to be used for specific programs and activities as directed by the donor. The balances also include net assets subject to donor-imposed stipulations that they be maintained permanently by Albertina Kerr Centers (e.g., endowment funds). 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 net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed 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 management, such differences, if any, 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 in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the statement of financial position. Whenever available, quotations from organized securities exchanges are used as the basis for fair value. For applicable investments, manager-reported net asset value ("NAV") is used as a practical expedient to estimate fair value. Valuations provided by fund managers consider variables, such as the financial performance and sales of underlying investments, and other pertinent information. The organization reviews valuations and assumptions provided by fund managers for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

Net investment return, which includes both current yield (interest and dividend income) and net appreciation (decline) in the fair value of investments, is reported in the consolidated statement of activities, net of investment expenses. Interest income is accrued as earned. All security transactions are recorded on a trade date basis.

The organization has some exposure to investment risks, including interest rate, market, and credit risks, for both marketable and non-marketable securities. 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 40 years for buildings, 10 to 20 years for building improvements, 10 years (or the length of the lease term, if less) for leasehold improvements, and 3 to 5 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. As of June 30, 2022, 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, 2022.

Debt Issuance Costs — Costs related to the issuance of debt are amortized over the terms of the various loans. Unamortized debt issuance costs are reported as a direct reduction of the associated debt liability.

Revenue Recognition – With regard to revenues from grants and contracts, the organization evaluates whether each transfer of assets is (1) an exchange (reciprocal) transaction in which a resource provider receives commensurate value in return for the assets transferred, or (2) a nonreciprocal transfer (a contribution or a grant), where no value is exchanged.

- *Exchange Transactions* – If the transfer of assets is determined to be an exchange transaction, the organization recognizes revenue when or as it satisfies the required performance obligations and transfers the promised good or service to a customer, and when the customer obtains control of that good or service. The organization's revenues from exchange transactions consist primarily of contract service fees (which are recognized as revenues when the services are provided) and sales (which are recognized as revenue at the time of the sale).

- *Grants and Contributions* – If the transfer of an asset is determined to be a contribution, the organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

- *Governmental Support* – Activities funded by governments are often carried out for the benefit of the general public, rather than to obtain goods or services for the government's own use or proprietary benefit. Accordingly, if the primary beneficiary of the activity is the general public, rather than the government itself, the transaction is treated as nonreciprocal (i.e., a contribution).

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the donor's commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions and grants received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows using credit adjusted discount rates which articulate to the collection period of the respective pledge. Such discount rates are not subsequently revised. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class. Promises to give are written off when deemed uncollectible.

Unconditional contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class. Promises to give are written off when deemed uncollectible.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets restricted to the acquisition of capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets, in accordance with donor intent.

In-Kind Contributions – A number of unpaid volunteers have made significant contributions of their time to develop and implement Albertina Kerr Center's programs. Under generally accepted accounting principles, 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, 2022, the organization recorded $135,648 in donated architectural and accounting services.

In-kind contributions of land, buildings, equipment, and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the organization's activities. During the year ended June 30, 2022, the organization recorded $38,105 in in-kind contributions of program goods and materials.

In-kind contribution revenue, totaling $173,753 for the year ended June 30, 2022 are included in grants and contributions revenue on the statement of activities.

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.

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 mean 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.

Operating Results – Operating results reported in the statement of activities reflect all transactions that change net assets without donor restrictions, except for capital contributions and grants, bequests and endowment gifts, net assets released from restrictions for capital purposes, the net investment return on endowment and related assets (less the amount appropriated by the Board to support current operations), the change in the valuation of interest-rate swaps, gains on the disposal of capital assets, and the net change in the actuarial value of split-interest agreements.

In accordance with the organization's endowment distribution policy, only the portion of pooled investment return distributed under this policy to meet operating needs is included in operating revenue. Other operating investment income consists of dividends, interest, and other investment return earned on unrestricted, non-endowed investments.

Concentrations of Credit Risk – The organization's investments consist primarily of financial instruments that include cash equivalents, fixed-income securities, mutual funds, and real estate investment trusts, and a beneficial interest in assets held by the Oregon Community Foundation ("OCF"), which may subject the Foundation to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to $250,000 for each depositor, for each insured bank, for each account ownership category.

The fair values 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 Albertina Kerr Centers and the 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. Albertina Kerr Centers Foundation derives its public charity status as a Type I supporting organization, described in IRC Section 509(a)(3).

As single-member, limited liability companies controlled by Albertina Kerr Centers, Kerr Bikes, LLC and Gresham WFH GP, LLC are treated, for tax purposes, as disregarded entities. AKC LP is a multiple-member, limited partnership. Accordingly, no provision has been made for income taxes, which are the responsibility of the individual members.

Derivative Instruments – Albertina Kerr Centers makes limited use of interest rate swap agreements to manage interest rate risk associated with variable rate debt. Under interest rate swap agreements, the organization and the counterparties agree to exchange the difference between fixed rate and variable rate interest amounts calculated by reference to specified notional principal amounts during the agreement period. Notional principal amounts are used to express the volume of these transactions, but the cash requirements and amounts subject to credit risk are substantially less. Amounts receivable or payable under swap agreements are accounted for as adjustments to interest expense on the related debt.

Subsequent Events – Subsequent events have been evaluated by management through November 16, 2022, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2021 – The accompanying financial information as of and for the year ended June 30, 2021, 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, 2022, the organization incurred program service expenses in the following major categories:

Children's Mental Health

Crisis Psychiatric Care (Sub-Acute) – Short-term inpatient care with 24-hour access to mental health professionals for children experiencing urgent mental health crises.

Community-Based Mental Health Services – Treatment for children experiencing mental health challenges and support for their families, provided in the community and clinic-based settings.

Intellectual & Developmental Disabilities (IDD) Residential and Enrichment Services

Youth Group Homes – Round-the-clock support and life skills training for youth with IDD in 11 neighborhood group homes. Caring, supportive services instill life skills for increased independence.

Adult Group Homes – Thirty neighborhood homes that offer 24-hour support and individual growth opportunities to adults with IDD. Compassionate 24-hour care supports self-determination.

Employment Services – Assisting people with IDD to find meaningful work with competitive wages in settings integrated with their non-disabled peers. Services include Project Search internships, job development, job placement, and job coaching. The Project Search program was paused during the year ended June 30, 2021 and was restarted in the first quarter of fiscal year 2023.

4. Accounts Receivable

At June 30, 2022, the organization reported outstanding receivables, as follows:

Contract payments receivable	$	1,063,628
Program service fees receivable		1,040,828
		2,104,459
Less allowance for uncollectible receivables		(15,858)
	$	2,088,598

5. Contributions Receivable

Contributions receivable at June 30, 2022 represent unconditional promises which are expected to be collected in less than one year as follows:

Contributions receivable	$	772,038
Less allowance for doubtful collection		(7,380)
	$	764,658

Gross contributions receivable at June 30, 2022 carry the following restrictions:

Capital projects *(note 12)*	$	2,750
Support of general programs and operations		769,288
	$	772,038

6. Investments and Investment Return

Investments, which are carried at fair value, consisted of the following at June 30, 2022:

Mutual funds	$	6,282,251
Fixed income securities		1,759,501
Real estate investment trusts		440,607
		8,482,359
Plus money funds, sweep options, and other cash equivalents		713,850
	$	9,196,209

Investments are held for the following purposes:

Board-designated endowment	$	6,283,778
Donor-restricted endowment		1,989,527
Unappropriated endowment earnings		840,289
General operating funds		82,615
	$	9,196,209

Total return on investments for the year ended June 30, 2022 was as follows:

Interest and dividend income	$	168,501
Net decline in the fair value of investments		(1,492,608)
	$	(1,324,107)

Total investment return represents both operating investment return and endowment return, as follows:

Operating investment return	$	(4,535)
Endowment return		(1,319,572)
	$	(1,324,107)

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. 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, 2022 are summarized as follows:

Balance at beginning of year	$	234,831
Decline in fair value of funds		(12,221)
Distributions		(7,737)
Balance at end of year	$	214,873

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.

8. Contributions Receivable from Charitable Remainder Unitrusts

The organization has been named the beneficiary of an irrevocable charitable remainder unitrust. The current beneficiaries of the trust receive a percentage each year of the net fair market value of the assets of the trust, valued annually. Upon the passing of the current beneficiaries, the organization will receive a percentage of the remaining assets of the trusts.

A contribution receivable of $265,888 was recorded at June 30, 2022, representing the actuarially-determined present value of the estimated future cash flows that will inure to the organization, using a discount rate 6.0%. The trust has been restricted by the donor to be added to the existing endowment fund.

9. Land, Buildings, Equipment, and Property Rights

A summary of land, buildings, equipment, and property rights at June 30, 2022 is as follows:

Land	$	886,353
Buildings		53,125,032
Improvements		9,510,299
Furniture and equipment		5,988,409
Vehicles		1,626,306
Property rights		11,801
Construction-in-progress		491,821
		71,640,021
Less accumulated depreciation and amortization		(17,038,014)
	$	54,602,007

In January of 2021, the organization received grants from the City of Gresham totaling $11,200,000. In accordance with the terms of the agreements the grant proceeds were used as a sponsor loan to AKC LP to construct a multi-family affordable housing project which will contain a total of 147 grant funded housing units. The grant requires a deed of trust on the property. The terms of the agreement require that the property must be used as multi-family affordable housing for a period of sixty years. As of June 30, 2022, the organization has the intention and ability to comply with those restrictions. Accordingly, no associated liability has been recorded in the accompanying financial statements. At June 30, 2022, the net book value of land, buildings, and furniture and equipment of AKC LP included in the above summary totaled $34,147,477. See note 16.

10. Other Liabilities

At June 30, 2022, the following summarizes the organization's other liabilities:

Funds held on behalf of others	$	540,389
Liabilities associated with charitable gift annuities		31,143
	$	571,532

11. Long-Term Debt

The acquisition and rehabilitation of the organization's properties include costs financed through loans received from various parties. The following obligations were outstanding at June 30, 2022:

Albertina Kerr Centers:	
Various mortgage and refinancing notes associated with program facilities [1]	$ 1,607,871
Bank of America term note [2]	95,518
Private party mortgage [3]	103,534
Small business association loan [4]	1,320,000
Campus improvements loan [5]	190,000
	$ 3,316,923
AKC Limited Partnership:	
Limited Partner equity advance [6]	$ 1,878,587
Bond loan [7]	17,740,565
	19,619,152
Total long-term debt	22,936,075
Less capitalized debt issuance costs:	
Albertina Kerr Centers	(25,581)
AKC Limited Partnership	(1,014,827)
	$ 21,895,667

[1] Notes issued by Bank of America with interest rates of between 4.75% and 5.25%, secured by the underlying real property.

[2] Bank of America note, in the original amount of $516,425, undertaken to refinance SNAP bonds associated with five program facilities located in Portland, Cornelius, Hillsboro, and Salem. Interest and principal are due in monthly payments of $8,242, with interest carried at a fixed rate of 4.62%, through June of 2023. The loan is secured by the underlying real property.

[3] A total of $223,000 was borrowed and used to acquire the Tanager group home in Hillsboro, Oregon. Loan is interest-free. Principal is due in monthly payments of $1,100 through May of 2029.

[4] During the year ended June 30, 2016, the organization converted a $2.0 million line of credit into a $2.2 million small business association loan with Bank of America. Proceeds of the loan were used for capital improvements to the campus and campus facilities. Principal payments are due in monthly payments of $12,222 through June 30, 2031.

At the inception of the borrowing, the organization hedged its interest rate risk by entering into an interest rate swap agreement with Bank of America for the full notional principal amount of the bond. The swap agreement provides that, each month, the organization will pay to Bank of America interest on the notional amount at a fixed interest rate of 4.47%, and Bank of America will pay to the organization interest on the notional amount at a rate equal to the USD LIBOR BBA rate.

Amounts receivable or payable under the swap agreement are accounted for as a non-operating change in value on the statement of activities. At June 30, 2022, the fair market value of the swap agreement was $63,301 (an asset).

[5] Bank of America loan proceeds were used for capital improvements. The loan is secured by real property, equipment, fixtures, inventory and receivables owned by the Albertina Kerr Centers. Interest is equal to the LIBOR daily floating rate plus 2.75%. Interest and principal are due in monthly payments of $1,667 through December of 2031.

[6] The Limited Partner equity advance was used for construction and debt issuance costs. The advance carries interest at 8.0% The note matures on December 31, 2022. If the conditions for Limited Partners' second capital contributions are met, as defined in the partnership agreement, the advance will be converted to a capital contribution.

[7] Pursuant to a bond indenture and related agreements dated January 28, 2021, AKC LP secured $21,421,000 in funding through agreements with the Oregon Housing and Community Services Department (the "Issuer"), and JP Morgan Chase, N.A. (the "Bondholder") in conjunction with the issuance of the Oregon Housing and Community Services Department Revenue Bonds, 2021 Series A-1 and A-2.

The proceeds of the bonds are being used to fund the construction of the Albertina Kerr Workforce and Inclusive Housing, a Federal Low-Income Housing Tax Credit apartment building with 147 affordable residential apartment units.

The bonds have an initial term through September 23, 2023, with interest at the LIBOR rate plus 1.5%. At the end of the initial term, The Series A-2 bond totaling $12,421,000 is due. The Series A-2 bond will be retired by the Limited Partners' third capital contribution. The Series A-1 Bond totaling $10,000,000 will be converted into an approximately 20-year permanent note at an interest rate of 3.48% per annum with payments beginning on October 10, 2023, and maturing on February 23, 2042. The Limited Partners' third capital contribution and the conversation to a permanent note are both subject to meeting conditions as defined in the Bond and Partnership agreements.

To ensure an additional measure of liquidity for the Bank of America term note and small business association loan, the loan agreements require the Albertina Kerr Centers Foundation to guarantee these loans and maintain a minimum of unrestricted, unencumbered liquid assets in an amount of $2.0 million. These notes also require maintenance of a consolidated debt service coverage ratio of at least 1.25:1. At June 30, 2022, the organization was in compliance with these covenants.

Obligations for future payments of principal are summarized as follows:

Years ending June 30,	
2023	$ 2,348,264
2024	18,124,767
2025	395,096
2026	406,386
2027	418,300
Thereafter	1,243,262
	$ 22,936,075

Interest expense totaled $209,623 for the year ended June 30, 2022.

12. Net Assets with Donor Restrictions

The following summarizes Albertina Kerr Center's net assets with donor-imposed restrictions as of June 30, 2022:

"Community Promise" capital campaign contributions receivable for Intensive Treatment facility construction	$ 2,750
Contributions receivable for programs and other purposes	17,620
	$ 20,370
Unexpended cash:	
Cash restricted for capital improvements	305,004
Cash restricted for programs and other purposes	302,130
	607,134
Endowment restricted for the following purposes:	
Chaplaincy	901,202
Landmark Preservation Fund	409,264
Endowment unrestricted as to purpose [1]	1,785,238
Total endowment *(note 13)*	3,095,704
Total net assets with donor restrictions	$ 3,723,208

[1] Includes the projected remainder portion of a charitable remainder unitrust, valued at $265,888 at June 30, 2022.

13. Endowment

Albertina Kerr Center's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment, including funds designated by the Foundation's Board of Trustees 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, 2022:

		With donor restrictions				
		Accumulated endowment return	Endowment principal	Total	Without donor restrictions	Total endow-ment
Endowment net assets at beginning of year	$	1,354,741	2,323,713	3,678,454	7,665,404	11,343,858
Grants and contributions		–	22,000	22,000	–	22,000
Investment return		(416,400)	1,363	(415,037)	(904,535)	(1,319,572)
Decrease in the carrying value of contributions receivable from charitable remainder unitrusts		–	(90,513)	(90,513)	–	(90,513)
Increase in the beneficial interest in assets held by the Oregon Community Foundation		–	–	–	(12,221)	(12,221)
Net change in the actuarial value of charitable gift annuity agreements		–	(1,148)	(1,148)	–	(1,148)
Appropriation of endowment assets for expenditure		(98,052)	–	(98,052)	(249,987)	(348,039)
Endowment net assets at end of year	$	840,289	2,255,415	3,095,704	6,498,661	9,594,365

Interpretation of Relevant Law – The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") governs Oregon charitable institutions with respect to the management, investment and expenditure of donor-restricted endowment funds.

The Foundation's Board of Trustees has interpreted Oregon's adoption of UPMIFA as requiring the organization to adopt investment and spending policies that are designed to 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 endowment principal (1) the original value of endowment gifts, (2) subsequent gifts to the endowment, and (3) accumulations to the endowment made pursuant to the direction of the applicable donor gift instrument.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as accumulated endowment return 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 endowment principal represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce accumulated endowment return to the extent that donor-imposed restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces endowment principal.

Endowments with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. In addition, the Foundation's Board of Trustees interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law, and the organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater.

Investment and Spending Policies – In accordance with UPMIFA, the Foundation's Board of Trustees 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 Trustees 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 organization's investment policies.

To meet its objectives, the Foundation'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 a 13-quarter rolling average.

Actual endowment return earned in excess of distributions under this policy is reinvested as part of the organization's endowment management and is reported as a non-operating item in the accompanying statement of activities. For years where actual endowment return is less than distributions under the policy, the short-fall is covered by realized and unrealized returns from prior years. If cumulative endowment return is exhausted, any remaining loss or appropriation reduces endowment principal. In years where the overall endowment is underwater, the Board may permit continued spending from principal only in accordance with its policies for spending from underwater endowments. See *Endowments with Deficiencies*.

During the year ended June 30, 2022, the Foundation's Board of Trustees appropriated 4%, or a total of $98,052, from donor-restricted endowment funds, and $249,987 from the Board-designated endowment.

14. Net Assets Released from Restrictions

During the year ended June 30, 2022, the organization incurred $3,057,207 in expenses and capital expenditures 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 net assets with donor restrictions to net assets without donor restrictions in the accompanying consolidated statement of activities, as described in the following table:

Satisfaction of donor restrictions for operating purposes	$ 2,741,211
Satisfaction of donor restrictions for capital projects	315,996
	$ 3,057,207

15. Expenses

The costs of providing the various programs and 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. Depreciation and amortization of capital assets is allocated to operating programs and supporting activities based on benefit estimates prepared by management. Interest expense on external debt is also allocated to the activities that have most directly benefited from the debt proceeds.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the organization and, therefore, require allocation on a reasonable basis that is consistently applied. Those expenses include depreciation and amortization, and other facility-related costs, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated on the basis of estimates of time and effort.

16. AKC LP

Albertina Kerr Centers is the single member of WFH GP, LLC a limited liability company formed to provide low-income affordable housing. WFH GP, LLC is the general partner of AKC LP which will operate a property known as the Albertina Kerr Workforce and Inclusive Housing that will provide 147 units of low-income affordable housing.

Capital contributions:

General Partner – As of June 30, 2022, WFH GP, LLC had contributed land valued at $2,100,000 and predevelopment cost of $1,260,000 to the project. No future capital contributions are required. WFH GP, LLC has a 0.01% interest in AKC LP.

Limited Partner – Wincopin Circle LLLP will make capital contributions totaling $18,785,874 in five installments as defined in the partnership agreement. The Limited Partner's installments, among other things, will be used to retire the equity advance loan, the Bond Series A-2 loan and a portion of the sponsorship loan, as well as payment of a portion of the development fees. Wincopin Circle LLLP has a 99.99% interest in AKC LP. At June 30, 2022, the limited partner's equity interest totaled a negative $121,767.

Related party transactions:

Sponsorship note – During the year ended June 30, 2021, Albertina Kerr Centers issued a note to AKC LP in the amount of $11,200,000 for a loan of City of Gresham grant proceeds for construction of the project. The note carries interest at 2.45% compounded annually. Accrued interest totaled $397,995 at June 30, 2022. Payment of the note will be made annually solely from available cash flow or capital proceeds as defined in the partnership agreement. Unless paid sooner, all accrued and unpaid interest and the remaining principal balance is due and payable in full on July 1, 2077, the maturity date of the note.

Development fees – For development services to be performed, AKC LP has entered into an agreement to pay Albertina Kerr Centers $5,044,406 in development fees. The development fees are earned as follows: $1,008,881 was earned immediately upon the execution of the development fee contract. The balance of the development fees will be earned proportionately to the amount of construction completed. Once the development fee is earned it shall be payable by the partnership in all events. $2,982,266 of the development fees will be funded from the limited partners' capital contributions. The remaining $2,062,140 of the deferred development fee will be funded by cash flows generated by the project to the extent available, as defined by the partnership agreement. At June 30, 2022, Albertina Kerr Centers has earned $4,260,489 of the development fees, of which $3,680,489 is outstanding at year end.

All related party transactions have been eliminated in the consolidated financial statements.

Commitments:

Construction – During the year ended June 30, 2021, AKC LP executed contracts related to the construction of the project. Outstanding commitments related to these contracts totaled $1,767,132 at June 30, 2022.

Operating deficit guarantee – If any time after the later of (1) the stabilization date or (2) the loan conversion date, an operating deficit exists, that is not funded by the operating reserve, then the general partner shall loan to the partnership, as a contribution to capital, an amount equal to the amount of the operating deficit up to $747,140, the maximum operating deficit contribution, as defined in the partnership agreement.

17. Commitments and 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 net assets without donor restrictions. 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.

18. Employee Retirement Plan

The organization sponsors a defined contribution retirement savings plan covering substantially all employees who have completed 90 days of service with the organization. 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. During the June 5, 2020 through March 31, 2022 period, the organization discontinued matching contributions to the plan. 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, 2022, $103,522 in matching contributions were made to the plan.

19. Self-Insurance Program

The organization is self-insured for unemployment claims. The estimated liability for such claims is based upon management's estimate as of June 30, 2022, 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, 2022.

Changes in the reported liability for self-insured unemployment claims during the year ended June 30, 2022 resulted from the following:

Liability at beginning of year	$	401,499
Current year claims		20,653
Claim payments		(279,785)
Liability at end of year	$	142,367

20. Operating Lease Commitments

The organization leases various administrative and program office facilities under non-cancelable operating leases that expire in various years through October of 2024. The organization has the option to renew many of these leases at various terms and amounts.

At June 30, 2022, the approximate minimum rental commitments under these leases are as follows:

Years ending June 30,	
2023	$ 283,214
2024	92,692
2025	10,048
	$ 385,954

Rent expense for the year ended June 30, 2022 totaled $418,946.

21. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at June 30, 2022:

Total financial assets available:	
Cash and cash equivalents	$ 8,896,969
Accounts receivable	2,088,598
Contribution receivable	764,658
Investments	9,196,209
Beneficial interest in assets held by the Oregon Community Foundation	214,873
Contributions receivable from charitable remainder unitrusts	265,888
	21,427,195
Less financial assets not available within the year ending June 30, 2023:	
Financial assets restricted by donors for endowment	(3,095,704)
Financial assets designated by the Board for quasi-endowment	(6,498,661)
Financial assets restricted by donors for capital improvements	(307,754)
	(9,902,119)
Plus other funds subject to appropriation for expenditure:	
Fiscal year 2023 endowment appropriations for operations	122,250
Board-designated funds approved for expenditure in 2023	274,381
	396,631
	$ 11,921,707

As part of its liquidity management, Albertina Kerr Centers has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the organization invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds.

In addition, the organization holds quasi-endowment funds totaling $6,498,661 (see note 13). Although Albertina Kerr does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

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 under generally accepted accounting principles. 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.

- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement.

In accordance with ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value*, investments valued utilizing net asset value as a practical expedient are excluded from the hierarchy.

At June 30, 2022, the following financial assets are measured at fair value on a recurring basis:

	Level 1	Level 3	Investments valued at NAV	Total
Investments *(see note 6)*:				
Mutual funds	$ 6,282,251	–	–	6,282,251
Fixed income securities	1,759,501	–	–	1,759,501
Real estate investment trusts	–	–	440,607	440,607
Total investments	8,041,752	–	440,607	8,482,359
Beneficial interest in assets held by the Oregon Community Foundation *(note 7)*	–	214,831	–	214,831
Contributions receivable from charitable remainder unitrusts *(note 8)*	–	265,888	–	265,888
	$ 8,041,752	480,719	440,607	8,963,078

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	$ 234,831	356,401	591,232
Decrease in the beneficial interest in assets held by the Oregon Community Foundation	(12,221)	–	(12,221)
Distribution of investment return	(7,737)	–	(7,737)
Decrease in the carrying value of contributions receivable from charitable remainder unitrusts	–	(90,513)	(90,513)
Fair value at end of year	$ 214,873	265,888	480,761
	[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 (see note 7).

[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	$	1,479,814
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		1,651,232
Amortization of property rights		11,802
Amortization of loan issuance costs (reported as interest expense)		5,985
Net appreciation in the fair value of investments		1,492,608
Decrease in the beneficial interest in assets held by the Oregon Community Foundation		12,221
Cash distributions received from the Oregon Community Foundation		7,737
Net loss on disposal of capital assets		(304,651)
Net change in the fair value of interest rate swap agreement		(118,363)
Decrease in the carrying value of contributions receivable from charitable remainder unitrusts		90,513
Net change in the actuarial value of charitable gift annuity agreements		8,752
Contributions restricted for capital acquisition and long-term investment		(458,000)
Net changes in:		
Accounts receivable		1,657,667
Contributions receivable		(635,820)
Prepaid expenses, deposits, and other current assets		(32,916)
Other long-term assets		(3,740)
Accounts payable and accrued expenses		1,215,947
Accrued payroll liabilities		(47,201)
Deferred revenues and amounts refundable to grantors		(32,057)
Other liabilities		181,691
Total adjustments		4,703,407
Net cash provided by operating activities	$	6,183,221

ALBERTINA KERR CENTERS

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2022
(WITH COMPARATIVE AMOUNTS FOR 2021)

	2022							
	Albertina Kerr Centers	Kerr Bikes, LLC	Albertina Kerr Centers Foundation	WFH GP, LLC	AKC LP	Consoli-dating elimination entries	Total	2021
Assets:								
Cash and cash equivalents	$ 7,909,569	280,501	263,178	–	443,721	–	8,896,969	7,168,664
Accounts receivable	2,141,968	–	–	–	4,067	(57,437)	2,088,598	3,746,265
Contributions receivable	764,658	–	–	–	–	–	764,658	128,838
Sponsor note interest receivable	397,995	–	–	–	–	(397,995)	–	–
Prepaid expenses, deposits, and other current assets	457,967	3,833	–	–	–	–	461,800	428,884
Investments	27,234	–	9,168,975	–	–	–	9,196,209	10,780,096
Beneficial interest in assets held by the Oregon Community Foundation	–	–	214,873	–	–	–	214,873	234,831
Beneficial interest in Albertina Kerr Centers Foundation	9,655,643	–	–	–	–	(9,655,643)	–	–
Equity investment in AKC, LP	–	–	–	3,359,988	–	(3,359,988)	–	–
Contributions receivable from charitable remainder unitrusts	–	–	265,888	–	–	–	265,888	356,401
Development fee receivable	3,680,489	–	–	–	–	(3,680,489)	–	–
Sponsor note receivable	11,200,000	–	–	–	–	(11,200,000)	–	–
Other long-term assets	–	–	45,875	–	–	–	45,875	42,135
Land, buildings, equipment, and property rights	20,423,060	31,471	–	–	40,872,512	(6,725,036)	54,602,007	31,239,541
Intra-organizational receivable (payable)	618,951	(315,805)	(303,146)	–	–	–	–	–
Interest rate swap agreement	63,301	–	–	–	–	–	63,301	–
Total assets	$ 57,340,835	–	9,655,643	3,359,988	41,320,300	(35,076,588)	76,600,178	54,125,655
Liabilities:								
Accounts payable and accrued expenses	1,993,695	–	–	–	38,093	(11,696)	2,020,092	804,145
Construction payables	–	–	–	–	4,559,173	(443,736)	4,115,437	1,485,302
Accrued payroll liabilities	1,530,790	–	–	–	–	–	1,530,790	1,577,991
Deferred revenues and amounts refundable to grantors	72,493	–	–	–	–	–	72,493	104,550
Development fee payable	–	–	–	–	3,680,489	(3,680,489)	–	–
Other liabilities	571,532	–	–	–	–	–	571,532	391,659
Long-term debt	3,291,343	–	–	–	18,604,324	–	21,895,667	4,792,593
Interest rate swap agreement	–	–	–	–	–	–	–	55,062
Sponsor note payable	–	–	–	–	11,200,000	(11,200,000)	–	–
Total liabilities	7,459,853	–	–	–	38,082,079	(15,335,921)	30,206,011	9,211,302
Net assets:								
Without donor restrictions	49,238,552	–	6,574,865	3,359,988	3,238,221	(19,740,667)	42,670,959	40,877,274
With donor restrictions	642,430	–	3,080,778	–	–	–	3,723,208	4,037,079
Total net assets	49,880,982	–	9,655,643	3,359,988	3,238,221	(19,740,667)	46,394,167	44,914,353
Total liabilities and net assets	$ 57,340,835	–	9,655,643	3,359,988	41,320,300	(35,076,588)	76,600,178	54,125,655

ALBERTINA KERR CENTERS

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022							
	Albertina Kerr Centers	Kerr Bikes, LLC	Albertina Kerr Centers Foundation	WFH GP, LLC	AKC LP	Consoli-dating elimination entries	Total	2021
Operating revenues, gains, and other support:								
Contract service fees	$ 38,417,389	–	–	–	–	–	38,417,389	45,213,489
Grants and contributions	9,694,977	–	11,229	–	–	(348,039)	9,358,167	2,614,481
Special events, net	343,029	–	–	–	–	–	343,029	435,302
Sales, net	–	9,183	–	–	–	–	9,183	10,148
Investment return	393,460	–	–	–	–	(397,995)	(4,535)	4,572
Other	355,970	133,108	–	–	4,534	–	493,612	1,461,046
Net change in beneficial interest in Albertina Kerr Centers Foundation	(1,759,343)	–	–	–	–	1,759,343	–	–
Net change in beneficial interest in AKC LP	–	–	–	(12)	–	12	–	–
Appropriation of endowment assets	–	–	348,039	–	–	–	348,039	334,919
Other operating transfers	(49,351)	49,351	–	–	–	–	–	–
Total revenues, gains, and other support	47,396,131	191,642	359,268	(12)	4,534	1,013,321	48,964,884	50,073,957
Expenses:								
Program services	40,872,697	191,642	–	–	126,313	(11,696)	41,178,956	42,740,496
Management and general	5,023,067	–	–	–	–	–	5,023,067	3,509,435
Resource development	354,100	–	20,864	–	–	–	374,964	894,487
Volunteer-managed businesses	–	–	–	–	–	–	–	–
Grants to Albertina Kerr Centers	–	–	348,039	–	–	(348,039)	–	–
Total expenses	46,249,864	191,642	368,903	–	126,313	(359,735)	46,576,987	47,144,418
Increase (decrease) in net assets before non-operating activities	1,146,267	–	(9,635)	(12)	(121,779)	1,373,056	2,387,897	2,929,539
Non-operating activities:								
Capital contributions and grants	426,000	–	–	–	–	–	426,000	561,800
Endowment contributions			22,000				22,000	–
City of Gresham Workforce Housing Grant	–	–	–	–	–	–	–	11,200,000
Investment income	1,363	–	(1,320,935)	–	–	–	(1,319,572)	2,084,078
Net change in the beneficial interest in assets held by the Oregon Community Foundation	–	–	(12,221)	–	–	–	(12,221)	64,595
Appropriation of endowment assets	–	–	(348,039)	–	–	–	(348,039)	(334,919)
Net change in the carrying value of contributions receivable from charitable remainder unitrusts	–	–	(90,513)	–	–	–	(90,513)	74,712
Net change in the actuarial value of charitable gift annuity agreements	(8,752)	–	–	–	–	–	(8,752)	(8,818)
Development fees	2,233,940	–	–	–	–	(2,233,940)	–	–
Net gain (loss) on disposal of assets	304,651	–	–	–	–	–	304,651	(78,294)
Net change in the fair value of interest rate swap agreement	118,363	–	–	–	–	–	118,363	65,209
Increase (decrease) in net assets	4,221,832	–	(1,759,343)	(12)	(121,779)	(860,884)	1,479,814	16,557,902
Net assets at beginning of year	45,659,150	–	11,414,986	3,360,000	3,360,000	(18,879,783)	44,914,353	28,356,451
Net assets at end of year	$ 49,880,982	–	9,655,643	3,359,988	3,238,221	(19,740,667)	46,394,167	44,914,353

GOVERNING BOARD AND MANAGEMENT

YEAR ENDED JUNE 30, 2022

David Lake, Chair
Vice President, Health Plan Operations and Strategy
Kaiser Permanente

David Boxberger
Immediate Past Chair
Chief Executive Officer
LightPoint

Laurine Apolloni
Owner, General Manager
Apolloni Vineyards

Christopher Beaulieu
Vice-President, Chief Investment Officer
The Standard

David Connell, J.D.
Partner
Buchalter, LLP

Jeff Cronn
Partner
Tonkon Torp, LLP

Kim Curry
Independent Marketing Consultant
Curry Collective

Susan Hobbel
Senior Administrator
Kaiser Permanente

Paul Litwinczuk
Senior Associate
Point B, Inc.

Mark McIlraith
Senior Pastor/Head of Staff
Lake Grove Presbyterian Church

Jill Nickerson
Vice President of Finance
Zepher, Inc.

Craig Payne
Senior Vice President
Brown & Brown Northwest

Lisa Powell
Chief Human Resources Officer
Providence Health & Services

Karen Rasmussen, C.P.A.
Managing Director
The Rasmussen Group, LLC

Nadine Smith
Psychiatric Nurse Practitioner

Heidi Steeves
Oregon Patient Safety Commission

Dennis W. Warneke
Principal
The Warneke Group, LLC

David Wilson, D.M.D.
General & Cosmetic Dentistry
David L. Wilson, D.M.D., P.C

Honorary

Ken and Ginger Harrison
Peter Jacobsen

Emeritus

Fritz Bartsch
Peter Bhatia
Christine Brown, J.D.
Marsha Buono
Jean C. Cory
Roger Cooke, JD
Andy F. Dignan
Helen H. Lindgren
Robert Mesher, C.P.A.
Greg Mottau
Anthony J. Seashore
Victor Stibolt, J.D.
Ken Thrasher
Jim Trolinger
Bill Ulrich
Connie West

Corporate Officers

Miki Herman
Interim Chief Executive Officer

Christine Andersen, *Secretary*

Management

Miki Herman
Interim Chief Executive Officer

Ann Ferguson
Interim Chief Financial Officer (consultant)

Owen Gibson, M.A., C.H.C.
Chief Compliance Officer

Derrick Perry, M.S.
Chief Program Officer

Craig Rusch
Chief Information Officer

Matthew Warner, M.B.A., S.P.H.R.
Chief People and Administration Officer

INQUIRIES AND OTHER INFORMATION

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