ALBERTINA
KERR

Governing Board of Directors
Agenda

Monday, November 16, 2020
5 to 7 p.m.

Via MS Teams

5:00 p.m.	**Convene** (Miki Herman, Board Chair)
5:01 p.m.	**ACTION: Approve Consent Agenda**
pp. 2-10	-Minutes of the September 21st Board Meeting
pp. 11-14	-Accept CEO Written Report
pp. 15-18	-Board Policies
pp. 19-22	-Fundraising Report
pp. 23-27	-September Financial Report
5:10 p.m.	**Finance Committee Report** (Karen Rasmussen)
5:15 p.m. pp. 28-68	-**Audit Report** (Gary McGee & Nathan Bresser of Gary McGee & Co.)
5:55 p.m. Separate cover	-**Workforce & Inclusive Housing Presentation** (Carly Harrison & Jill Sherman of Edlen & Co.; Mark Kantor & Rena Jiminez-Blount of Kantor Taylor)
	ACTION: Approve Amended Articles of Incorporation & Board Resolution
6:35 p.m.	**Executive Session** (Miki Herman)
	-CEO Survey Results with Linda Carpenter
	-CEO FY 2019-2020 Board Evaluation Recommendation
	-CEO Board Compensation Recommendation
	-Board CEO FY 2020-2021 Goals Recommendation
7:00 p.m.	**Adjourn** (Miki Herman)

ALBERTINA KERR CENTERS
Governing Board Meeting Minutes
September 21, 2020
5 to 7 p.m.
Via Teams

Governing Board Members Present
David Boxberger, Kim Curry, David Connell, Miki Herman, Susan Hobbel, David Lake, Paul Litwinczuk, Rod Malone, Melissa May, Jill Nickerson, Craig Payne, Lisa Powell, Laura Shipley, Heidi Steeves, Dennis Warneke, David Wilson

Excused
Teri Barichello, Karen Rasmussen

Guest
Linda Carpenter of Carpenter Smith Consulting

Staff Present
Anne Adler, Jeff Carr, Van Fields, Owen Gibson, Janice Jacobs, Craig Rusch, Matthew Warner, Derrick Perry

Convene (Miki Herman, Chair)
Miki convened the meeting at 5:04 p.m.

Approve Consent Agenda

-Approve Minutes of the July 20th Board Meeting
-Accept the CEO Written Report
-Accept the Fundraising Report
-Approve the Board Resolution Accepting Responsibilities & Requirement as Outlined in the OHCS Loan Application
-Appointment of Janice Jacobs as Corporate Treasurer

ACTION: David Connell recommended clarifying edits to the language in the Board Resolution on page 17 of the meeting packet as follows:

> **"The person(s) named on the Authorization and Acceptance Form are duly authorized to encumber, and the Board of Directors accepts the responsibilities and requirements of any tax credit and/or grant, bond or loan programs applied for in this application for this project," was edited to read:**
>
> **"The person(s) named on the Authorization and Acceptance Form are duly authorized to encumber Albertina Kerr Centers, and by this action, the Board of Directors accepts the responsibilities and requirements of any tax credit and/or grant, bond or loan programs applied for in this application for this project."**

Susan Hobbel moved to approve the Consent Agenda with the edits to the Resolution. Kim Curry seconded. The motion passed via unanimous vote.

24 Hours of Kerr Recap (Anne Adler)
Anne thanked everyone for the huge success of the event and 100% participation by Kerr Board members. The early net figure is $385k, which is 15% over goal and $10k over net last year. Expenses were $75k less due to the switch to a virtual event. Reviews and feedback were overall positive. Over 400 people RSVP'd and the maximum number of viewers at one time was 96. The actual number of viewers was much higher, however, as there were several group and shared views planned. Other notes: pre-commitments were important to the overall donation amount; the live chats during the event were fun; the technology was a little bumpy but overall very good given it was a first; the virtual event was fun and could be grown if the virus situation persists and is needed again next year.

Financial Update (Janice Jacobs)
At month ending July 31st, financials indicate a solid start to the fiscal year. Contract revenue shows strong performance. Two drivers were: proactive steps taken to prepare for an estimated 6% cut from State funds (that did not actually take place); and, $240k from the CARES Act and ODDS funds. The Development team received $622k in donations, including a single large donation of $500k. Departments are underspending, keeping expenses down. The consolidated statement shows a $1.198 million surplus. Vacancy rates and census are favorable. The cash position is strong. Initial August performance looks good. In general, financials look good; the unknown is the State budget in the future. The forecast will be released at the end of September and should be an indication of the future. The audit is going well with no anticipated management letter. Adjustments will be made and likely due mostly to issues with the software transitions.

ACTION: Due to timing, the Finance, Audit & Compliance Committee did not have a chance to view the financial report in detail prior to the Board meeting. Therefore, Dennis Warneke moved that the financial report be approved on a contingent basis, pending the FAC Committee's review on October 7th. David Lake seconded the motion. The motion passed via unanimous vote.

Finance, Audit & Compliance Committee Report (Paul Litwinczuk, Chair Elect, for Karen Rasmussen, Chair)
Paul reported that the FAC Committee last met on August 11th. There are no issues or concerns.

Program & Accreditation Committee Report (David Wilson, Chair)
David reported that the P&A Committee met on September 2nd and reviewed 4th quarter outcomes. Group home census is steady. There are some challenges in programs related to the Covid-19 lockdown; however, staff is doing a great job of navigating the challenges and finding ways to keep clients busy. Subacute census is high for this time of year and appears to be Covid-19 related. Families are struggling through changes due to Covid-19. 88% of kids were discharged into the community in this quarter. Derrick Perry and program leadership focused heavily on improving the intake process. They redesigned an interdisciplinary team to improve and expedite the access process and have seen significant improvement in experience for the clients and families. Outpatient mental health is working well with telehealth. Client and parent experience surveys remain mostly positive. Staff turnover has decreased, and injuries have decreased. Remote learning during the Covid-19 crisis is challenging; however, the school districts have been helpful partners. During the wildfire situation and related evacuations, subacute was able to assist Providence's children's psychiatric program by immediately taking in six evacuated kids. The move was well coordinated and Providence has expressed their enormous gratitude.

Review & Approval of Board Policy Updates (Owen Gibson, All)
Owen and corresponding staff continue to work through updating and revising agency and Board policies. Once policies have been prepared in draft form, they are presented to the appropriate committee for review

and recommended to the full Board for final approval. One of the policies in the meeting packet, Board Member Job Description, was deferred for more work.

ACTION: David Lake moved that the policies presented in the meeting packet be approved with the exception to defer the Board Member Job Description and a correction to language under 5b on page 23 of the packet to reflect the correct committee name as follows:

> **"Operations Committee, if between $50,000 and $100,000" will be corrected to: "Finance, Audit & Compliance Committee, if between $50,000 and $100,000."**

Kim Curry seconded. The motion passed via unanimous vote.

<u>Discussion: Agency Acquisition & Merger Analytics Matrix</u> (Matthew Warner, Owen Gibson, Craig Rusch, Derrick Perry)
In light of the Covid-19 crisis and its impact on the economy, and State and Federal budgets, Kerr leadership has been discussing the possibility of opportunities to acquire or merge with like agencies. Senior leadership wants to be sure Kerr is intentional and strategic before expanding through these means. A tool has been developed for identifying risks, determining fit and culture, understanding expectations and goals, and other analytics. The matrix of questions is not a scorecard, but rather a guide through initial discussions and exploration. In reviewing the array of services category, a recommendation was made to also look at vertical and horizontal associations of services, more than like or unlike services. The example of CDHS was raised, where Kerr overestimated its expertise in overcoming the financial issues at CDHS, along with not fully understanding the physical health complexities of the clients served there. Discussion was held regarding the risks in pre-screening and trusting self-reporting, and also in assuming the "lifeboat" role for struggling agencies. An intentional partnership or addition to a gap Kerr may have creates a more strategic approach. Kerr may want to be proactive in identifying program direction and what services would fill or enhance that direction.

ACTION: Kerr leadership asked for feedback and ideas from Board members to develop further a planned approach to potential acquisitions and mergers.

<u>Board Strategic Plan, Continued</u> (Linda Carpenter)
Linda reviewed the work done to date on the Board strategic plan. At the August 17th Executive Committee meeting, members discussed and identified the top two priorities. These priorities, highlighted on page 49 of the meeting packet, are: Refine Board Internal Structure; and, Develop a Strategic Recruiting Plan. Two ad hoc working groups will be established to frame a vision and plan to achieve each priority. Linda recommended each ad hoc group be led by one Board member and one SLT member. Miki Herman and Anne Adler will lead the Recruiting Plan, and David Lake and Craig Rusch will lead the Board Internal Structure work. Members of the Executive Committee arrived at deciding the top priorities through careful and thoughtful discussion. A suggestion was made that items 3 and 4 could be built into the top two focus areas. All members agreed, thus, #3 Restructure of Board Meetings will fold into #1 Refine Board Internal Structure, and #4 Engage Board Members will fold into #2 Develop a Strategic Recruiting Plan. Discussion was held about revising the Board Member Job Description as expectations, roles and responsibilities, and member qualities are identified. Members feel it is important to define multiple contributions such as time, talent and money when recruiting, and to identify an equitable way to define contributions to advisory committees.

ACTION: Rod Malone expressed interest in participating in the Board Structure group.
ACTION: Jill Nickerson expressed interest in participating in either group.

ACTION: Miki Herman asked that members consider participating and let her know by end of business Tuesday, September 22nd.

__**Executive Session**__ (Miki Herman)
Board members entered Executive Session at 6:50 p.m. CEO performance and goals were discussed.

__**Adjourn**__
Miki Herman adjourned the meeting at 7:13 p.m.

Recorded by Holly Edgar, Corporate Secretary

Attachments: Corrected Board Resolution and Financial Management – Financial Conditions Policy as noted in these minutes.

BOARD OF DIRECTORS RESOLUTION

OHCS RESOLUTION FOR TAX CREDIT APPLICATION

Albertina Kerr Centers, acting through its Board of Directors, at its regularly scheduled meeting, with a quorum present, did after due deliberation, authorize **Jeff Carr, Chief Executive Officer,** and **Janice Jacobs, Chief Financial Officer** to apply to Oregon Housing and Community Services for funding for **150 units** of affordable housing in a project to be known as **Albertina Kerr Workforce and Inclusive Housing.** The person(s) named on the Authorization and Acceptance Form are duly authorized to encumber Albertina Kerr Centers, and by this action, the Board of Directors accepts the responsibilities and requirements of any tax credit and/or grant, bond or loan programs applied for in this application for this project. The site is located at **930 NE 162nd Ave, Portland, OR 97230.**

Motion was made by ________________________ and seconded by _______________________

Signature of Board President __________________________________

(Typed name of president)

Date: ______________________

Chapter: Financial Management

SECTION: BUDGETING

The Board of Directors of Albertina Kerr Centers shall plan and control revenues and expenditures through the development and monitoring of an approved budget for each fiscal year. ~~and that t~~ The responsibility for the development of the annual budget and monthly monitoring and reporting will lie with the ~~President/~~Chief Executive Officer and Chief Financial Officer. ~~Vice President, Finance.~~ This material shall be reviewed by the Finance, Audit & Compliance Committee.~~AKC Treasurer and Operations Committee.~~ The budget process shall include:

- Operating and capital budgets
- Conservative projections of available revenues
- Conservative reliance on fund raising proceeds
- Cash flow budget
- Identification of special projects to be implemented if funding is secured
- Adequate cost-control analysis
- Annual review of staff wage scales and benefits by the Finance, Audit & Compliance Committee~~AKC Operations Committee~~ in annual budget development process~~.~~
- Schedule of critical dates related to draft development and review prior to board approval of the annual budget on or before the July board meeting
- Contingency plans to be implemented to reduce deficits that may become evident during the monitoring phase of the budget process

Performance bonuses for employees eligible to participate in the ~~executive~~ bonus program per the Employee Handbook~~, (i.e. President & CEO, Vice President and Directors)~~ and an allocation shall ~~not~~ be included and accrued in management's recommended annual operating budget. Such bonuses, if earned, may only be paid out of any annual operating budget surpluses that may be achieved.

All budgeted Albertina Kerr Center program functions and activities shall be in keeping with the mission statement and stated objectives of the strategic plan and mindful of the tax exempt status of the organization.

SECTION: FINANCIAL CONDITIONS

The overriding policy of AKC is that the financial condition shall never result in fiscal jeopardy to the organization, or disruption in the integrity of our client services.

Other key policies are as follows:

1. Individual programs may have budgeted deficits; however, in aggregate, budgeted results of operations must exceed zero.

2. Budgets shall take into consideration seasonality and timing of cash flows; net surpluses (deficits) from month to month shall meet budget targets.

3. Capital expenditures in total must be approved as follows:

   a) Finance, Audit & Compliance Committee~~Operations Committee~~, as part of the annual budgeting process

   b) Board of Directors, as part of the annual budgeting process

   c) Management can change line items within the approved capital budget, but cannot exceed total budget. Capital updates will be provided by management in excess of the total budget.

4. Unbudgeted capital expenditures must be approved as follows:

   a) ~~President/~~CEO, up to $100,000 ~~$50,000~~ in the aggregate per fiscal year

   b) Finance, Audit & Compliance Committee~~Operations Committee~~, between $100,000-250,000 ~~$50,000 and $100k~~ in aggregate per year, action reported to the Board of Directors

   c) Board of Directors, in excess of $250,000~~$100k~~

5. Aggregate annual assumption of any long term debt obligation must be approved as follows:

   a) ~~President/~~CEO, up to $50,000
   b) ~~Operations Committee~~Finance, Audit & Compliance Committee, if between $50,000 and $100,000
   c) Board, if $100,000 or more.

   Any debt agreements below this threshold shall be reported to the Finance, Audit & Compliance Committee~~Operations Committee~~ by the CFO in the annual budgeting process.

   Long-term debt shall include any monetary obligation of the agency that has a repayment period in excess of twelve months.

6. Sale of Real Estate must be approved as follows:

   a) ~~President/~~CEO, up to $250,000 ~~$50,000~~

   b) Finance, Audit & Compliance Committee~~Operations Committee~~, if between $250,000 ~~$50,000~~ and $500,000 ~~$100,000~~

   c) Board, if $500,000 ~~$100,000~~ or more

7. Establishing or changing the amount or other terms of the credit line requires the approval of the Board of Directors.

8. Authorized signers for all debt instruments shall be the CEO and CFO, acting in combination

9. Contributions received by the agency, if restricted and designated by donor, must be used only for the restricted and designated purpose.

10. Amounts accumulated or set aside in designated funds must be used only for the designated purpose.

11. The ~~President/~~CEO and CFO ~~Vice President, Finance~~ shall see that agency debts are settled in a timely manner.

12. The Finance, Audit & Compliance Committee~~Operations Committee~~ and the Board shall monitor financial performance by reviewing monthly agency financial information.

13. The Finance, Audit & Compliance Committee~~Operations Committee~~ and the Board shall review summary financial information of the Foundation on a quarterly basis.

14. The Finance, Audit & Compliance Committee ~~Operations Committee~~ and the Board shall have access to any and all financial information deemed necessary to carry out their responsibilities.

15. The Finance, Audit & Compliance Committee~~Operations Committee~~ shall review annual federal 990 tax forms for Albertina Kerr Centers and the Foundation prior to filing. The Foundation shall review their 990 tax form even if the review occurs post filing.

16. The Finance, Audit & Compliance Committee ~~Operations Committee~~ functions as an audit committee for AKC and the Foundation. In that capacity, the Committee will select an independent public accounting firm, review the scope of the audits prior to commencement of the audit and meet the auditors at the conclusion of the audits to review findings and recommendations.

SECTION: SIGNATORY AUTHORITY

The ~~President/~~CEO shall have the authority to sign in the name and on behalf of the Agency all duly authorized contracts, deeds, legal and financial documents, and other official documents necessary for the conduct of Agency business, including estate and trust documents, planned giving agreements, and other gift instruments accepted by the Agency. Such documents may also be signed by the Board Chair or any other person designated for that purpose by the Board of Directors or by the ~~President/~~CEO.

The ~~President/~~CEO may, from time to time, delegate signatory authority to the Treasurer/CFO. During an extended absence, the ~~President/~~CEO may also delegate such authority to another officer who is temporarily acting as the ~~President/~~CEO.

Pursuant to the Financial Conditions policy, authorized signers for all debt instruments shall be the ~~President/~~CEO and the Treasurer/CFO, acting in combination.

Transactions affecting Agency accounts may be signed by the following:

- ~~President/~~CEO
- Treasurer/CFO
- Board Chair

The Corporate Secretary is authorized to sign payroll and accounts payable checks, and follow up with a timely reporting of checks signed for approval by the ~~President/~~CEO or Treasurer/CFO.

~~Further, the Senior Vice President of Developmental Disabilities Services shall be an authorized check signer on the following accounts:~~

- ~~KDDS Petty Cash Account~~
- ~~Lane County Payroll Account~~

Sources:

Rule/Source	Summary	Last rule revision date

Revision and Approval History:

Policy	Revised by	Revision Date	Approved by	Approval Date
Budgeting	Holly Edgar	03/04/2020	FAC Committee	
Financial Conditions	Holly Edgar	03/04/2020	FAC Committee	
Signatory Authority	Holly Edgar	03/04/2020	FAC Committee	

ALBERTINA
KERR

November 16, 2020
Report to the Albertina Kerr Board
Jeff Carr, CEO

Introduction

As we are barreling towards the end of the calendar year, it's hard to believe that we have been living under the challenges of the COVID-19 pandemic for eight months. I've been so proud of our team (employees and Board) for adjusting in so many ways, both big and small, to keep Kerr focused on the single most important thing for us as an organization: fulfilling our mission to care for the vulnerable clients who are depending on us each and every day.

We have now entered the darkness of winter, both literally and figuratively, and the challenges we face for the foreseeable future are even greater than those we've faced the last eight months. As COVID-19 community spread increases across the United States and here in Oregon, it will be even more challenging to keep our clients and staff safe from the virus. It will require us to not give in to "precaution fatigue" and to be creative in responding to many obstacles that are not even on our radar at the moment. And it will be necessary for us to continue to advance many of our strategic initiatives, while adjusting along the way based on changing circumstances.

Staffing Updates

We have experienced some significant staff changes this past couple of months with the departure of our Director of Kids DD Residential, one of our Assistant Directors of Kids DD Residential, and our Assistant Director of Children's Mental Health. The good news is that under Derrick Perry's leadership we have done some reorganizing of our supervisorial structure in all our DD Residential programs and eliminated some of the silos between Kids & Transition Age Youth Residential and Adult Residential. In the long run, I believe this will enable us to provide more appropriate oversight and support of these programs and to integrate our work.

We have also finally identified and hired a new Director of Children's Mental Health. Chuck Haas will begin his tenure at Kerr in this role on November 23rd and brings a wealth of nearly 40 years of mental health experience, most recently at Kaiser Permanente NW. Chuck is a social worker and has provided leadership in a number of different places over his career, and we believe this clinical and managerial experience will be a real asset to Kerr.

Organizational Highlights

September Financials

I am pleased that we have started out the new fiscal year with a very positive first quarter (July 1st – September 30th) with greater than anticipated/budgeted revenue and by continuing our history of managing expenses well. Our conservative approach to budgeting certainly is a big reason for this success, but even taking that into account, we have done an exceptional job in our earned revenue and fundraising. Kudos to Anne Adler and the Development Team for overperforming in our fundraising, as well as program staff in our residential programs and subacute for maintaining strong client census numbers.

As a result of this, we did ceased furloughs for our Administrative and Support staff effective October 2nd, and believe we will not have to implement them again this fiscal year. We have not reinstated our 401(k) matching program (although employees can still contribute to the plan), however, as we want to have a better sense of what the State budget will be as we project forward for the next biennium (7/1/2021 – 6/30/2023).

As a result of our outstanding performance, we are in the process of identifying a residential lot in East Multnomah County to purchase so we can build a new Kids DD Residential Group Home (4 bed) which would enable us to continue progress on a goal we set over two years ago to eliminate all 5 bed group homes in Kerr. We currently have three 5 bed kids' homes and our goal is to downsize their licenses to 4 bed homes. This will allow us to provide better quality care, improve staffing and employee job satisfaction, and enable us to generate better financial margins due to ODDS rates. We anticipate the cost to acquire land and build a new home will be in the $650k-$700k range, and when complete, we could generate an additional $600k-$700k in annual operating revenue, thus getting a nearly 100% ROI on our investment in approximately one year. Our plan would be to fund this out of excess margins from the first quarter, and utilize the final $250k from a capital grant.

Audit

Our FY 2019-20 audit has been completed again this year by Gary McGee & Co. and I am grateful for their continued review of our books and our accounting processes. While the audit will show significant growth year-over-year in our overall revenue and balance sheet, we continue to face challenges in our accounting processes that require additional focus and attention this next year to get us back on the right path. Gary will be at the meeting and will share in more detail the results of the audit and Janice will discuss some of the ways she will be addressing those issues.

Workforce & Inclusive Housing Update

We have been very busy since the last Board meeting on the development of our Workforce & Inclusive Housing project. Our primary focus has been on finalizing the construction budget, negotiating a Guaranteed Maximum Price (GMP) contract with Pence Construction, getting building permits, and working through the extremely complex financing necessary to make the whole project come together. Jill Sherman from Edlen Co. and Mark Kantor from Kantor Taylor will be sharing a presentation on the financing and various legal structures for the project at the Board meeting and have been invaluable partners to Kerr. I also want to give a shout out to the Finance Committee that has had three meetings in the last month to go over the details of the financing. I appreciate all of you and your time and dedication to going through these documents.

We actually began some environmental remediation on the Wynne Watts school a few weeks ago and will begin demolition of the building in early December. We expect to close our financing on December 21st and will begin construction in earnest after the first of the year. Finally, we are planning a "virtual ground breaking" on February 17th and will be inviting key elected officials, funders, and all of you to this event. We hope to generate some significant media coverage due to the uniqueness of our project. Stay tuned for more details.

Subacute Emergency Drill

We conducted an emergency drill at subacute last month to "test" our emergency plan that we recently updated and we were very pleased with the results. The scenario was the collapse of our roof over one of our units and the gymnasium and some classrooms, which required some transfers to the hospital for minor injuries (simulated), and a partial evacuation of the facility (we really did this). The drill went well, and we organized ourselves in real-time utilizing MS Teams. I believe our reliance on MS Teams the last eight months during the pandemic has allowed us to become more adept at managing challenges "virtually" and this was evident in this drill. We will be conducting an "after action" debrief in a few weeks to identify areas for improvement, but generally were pleased with the results.

Loss of Life of Client at a Group Home

Unfortunately, we experienced the death of one of our long-term adult clients in an Adult DD Residential Group Home in the last month. The client had a history of swallowing/choking challenges, and he choked on some food over a meal one evening. We believe staff followed all protocols and he was rushed to the hospital, but due to cardiac arrest and some other additional underlying health conditions, the client's family decided to remove the client off life support and the client passed. This was particularly difficult for many of our staff that have cared for this person over the years, and an investigation has been initiated by the State (this is standard procedure when there is a death). We have notified our insurer and have legal representation to oversee this process. It is always a deep sense of loss when something like this happens given how close our caregivers become with our clients.

Conclusion

I continue to be honored to have the opportunity to lead this organization and am grateful for the support of the Board in these very challenging times.

Chapter: Governance

SECTION: ANNUAL TRANSITION OF BOARD LEADERSHIP

Although they are elected in April of each year, all officers of the Board of Directors begin their terms on July 1.

To facilitate continuity of leadership and a smooth annual leadership transition:

1. The incoming Chair will attend meetings of the Executive Committee after election by the Board of Directors in April through the month of June.
2. ~~The incoming Treasurer will participate in the Finance, Audit & Compliance Committee meetings that occur after election by the Board of Directors in April of each year through the month of June.~~

Chapter: Governance

SECTION: BOARD OF DIRECTORS DELEGATION OF AUTHORITY TO THE CEO

To facilitate optimum effectiveness, the Board of Directors of Albertina Kerr ~~Centers~~ recognizes the ~~b~~Board's responsibility as being generally confined to broad oversight of policies, leaving implementation and subsidiary policy development to the CEO. All ~~b~~Board authority delegated to staff is delegated through the CEO, so that all authority and accountability of staff can be phrased, insofar as the ~~b~~Board is concerned, as authority and accountability of the CEO.

1. The CEO is authorized to establish all further policies, make all decisions, take all actions and develop all activities which are true to the ~~b~~Board's policies. The ~~b~~Board may, by extending its policies, further modify areas of the CEO's authority, but will respect the CEO's choices so long as the delegation continues. This does not prevent the ~~b~~Board from obtaining information about policies, decisions, actions and activities in the delegated areas.

2. Only the ~~b~~Board, by majority vote, has authority over the CEO. The CEO will make every effort to make agency information readily available to ~~b~~Board members and to honor requests from individual ~~b~~Board members and committees. However, if a request from an individual ~~b~~Board member or a committee of the ~~b~~Board, in the CEO's judgment, requires a material amount of staff time, it may be refused.

3. The CEO may not perform, allow or cause to be performed any act which is unlawful, insufficient to meet commonly accepted business and professional ethics or the "prudent person" test, in violation of funding source requirements or regulatory bodies or contrary to explicit ~~b~~Board constraints on CEO authority. Should the CEO deem it necessary to violate a ~~b~~Board policy, he/she shall inform the ~~b~~Board in a timely manner.

4. Unless otherwise approved by the ~~b~~Board, the CEO shall devote full time efforts to his/her duties as CEO of Albertina Kerr ~~Centers~~ and shall avoid participation in or support of activities which conflict with the mission and goals of the organization.

Chapter: Governance

SECTION: CEO SUCCESSION CONTINGENCY PLAN

This plan addresses two general scenarios, short-term and long-term. The first outlines a set of operational activities that would commence immediately upon the departure of the CEO, either permanently or during a period when the CEO would be temporarily absent from his/her duties for a period of less than 90 days. The long-term phase begins after the short-term initiatives have commenced and it is confirmed that the CEO position will be vacant. This scenario would involve critical ~~b~~Board and organizational responsibilities leading up to the hiring of a new CEO.

Short-Term

The following responsibilities must be transferred during an absence of the CEO, either short-term or permanent – whether anticipated or unplanned:

- Agency Supervision: Day-to-day supervision will be the responsibility of the designated agency management team and two members of the ~~b~~Board Executive Committee. The Executive Committee will determine which of their members will assume these duties.
- Fiscal Approval: The CFO/Treasurer will make day-to-day fiscal decisions. The Board Chair~~person~~ will authorize any expenditures normally requiring CEO approval.
- Personnel Management: The management team will make internal staff assignment decisions. Any hiring/firing of staff (excluding that of the hiring of the next CEO) will be initiated by the management team and subsequently approved and ratified by the ~~b~~Board Executive Committee. Any changes in the management team members will require approval and confirmation by the ~~b~~Board Executive Committee.
- Community Presence: The management team, ~~d~~Development ~~d~~Department staff under the supervision of the management team, and the ~~b~~Board Executive Committee will continue to provide an agency presence in the community. The management team will determine who has authority to speak for the agency in the event of a crisis requiring communication with the public-at-large.
- Board Interaction: The agency management team and the two ~~b~~Board Executive Committee members providing day-to-day supervision of the agency will attend ~~b~~Board meetings and present updates on the status of operations, including any problem areas. The CFO/Treasurer will provide the ~~b~~Board with a complete and frequent review of the agency's financial status.

Long-Term

In addition to the short-term responsibilities described above, long-term responsibilities will include management of a search for a new CEO. The ~~b~~Board Executive Committee will develop a recruiting plan and submit the plan to the ~~b~~Board for approval. The plan will include as a minimum, a timeline for the recruitment process, the names of individuals from the ~~b~~Board and the community, if desired, to serve on a search committee, and a strategy for advertising the position.

Chapter: Governance

SECTION: EVALUATION AND COMPENSATION OF THE CEO

~~At the beginning~~ Prior to the end of the agency's current fiscal year, the CEO will prepare a written statement of his/her performance goals for ~~that~~ the new fiscal year, ~~which will include a description of the potential performance bonus award that the CEO could receive upon attainment of the goals,~~ pursuant to his/her employment agreement with the agency. The statement of performance goals is subject to the review and approval of the Executive Committee, to be completed before the start of the new fiscal year~~.~~

~~At the end of the agency's fiscal year~~ Upon closure of the agency's financial performance for each fiscal year, and within the first quarter of the new fiscal year, the CEO shall receive a written evaluation of his/her performance against the performance goals~~. The evaluation will include a determination of a performance bonus award pursuant to the statement of performance goals~~ and the CEO's employment agreement.

The evaluation will be prepared by the Chair~~person~~ and Immediate Past Chair~~person~~, reviewed and approved by the Executive Committee and the Board of Directors, and then presented to the CEO. The CEO's compensation shall be adjusted in an amount commensurate with the CEO's attainment of the stated goals as determined by the agency's Executive Committee with consideration of the cost of living and commensurate with comparable positions in private, non-profit organizations with similar services and of similar annual budget size.

~~The Chair of the Operations Committee shall review expense reports of the CEO at the end of each fiscal year. Any identified concerns regarding expenditures shall be forwarded to the Executive Committee for action.~~

~~The compensation of employees who directly report to the CEO shall be reported to the Committee on an annual basis.~~

Performance bonuses for employees eligible to participate ~~in the executive bonus program per the Employee Handbook (i.e., CEO, Vice President and Directors)~~ may not be included in the agency's annual budget. Such bonuses, if earned, may only be paid out of any annual budget surpluses that may be achieved by the agency and must be approved by the board of directors.

FY21 Fundraising to date
A FY21 Fundraising Update is outlined on page 20.

As shown, we have secured 66% of our annual fundraising goal compared with 28% for last year at the same time. This is due to better than budget performance for Individual Giving, Grants and 24 Hours of Kerr.

A wrap up of 24 Hours of Kerr is provided on pages 21 and 22.

Thank you, to all Board Members who have generously supported Kerr and 24 Hours of Kerr this year!

FY21 Fundraising Outstanding and Beyond

Individual Giving
Our Fall Appeal is in full swing. Thank you to Board Members who are participating. As previously reported, this year's campaign is again being supported by Kerr's inclusion in the Willamette Week Give Guide which launched last week. Board members are asked to help promote giving to Kerr by sharing our emails and social media posts with your networks.

Corporate Giving
We are finalizing our Corporate Sponsor and Partnership materials for 2021 and will be reaching out to Board Members in an effort to renew all our Corporate Partners before the end of the calendar year. Please stay tuned.

Grant-a-Wish
GAW is well underway this year. If you would like to participate, please contact Chloe Scdoris at chloe.scdoris@albertinakerr.org.

Marketing and Communications
We continue to work proactively to provide exposure for Kerr's work and story through strategic partnerships (e.g. Trail Blazers, Entercom, The Portland Business Journal, KOIN) as well as through traditional paid – mostly digital - advertising (e.g. PBJ, Portland Monthly) and SoMe channels.

Thank you to all for making Kerr's continuing work and success possible!

Anne

FY21 Campaign Performance through 11/11

Description	Total Given 11/11/2020	Goal FY21	%Goal	Last Year Total Given 11/08/19	Variance (FY20 vs. FY21)	Oustanding to raise or below budget	+/- from 11/03/2020	Notes
24 HOK	$ 445,382	$ 380,000	117%	$ 499,902	$ (54,520)	$ (65,382)	$ 0	
Race for the Roses	$ 10,193	$ 150,500	7%	$ 65,830	$ (55,637)	$ 140,307	$ 10	(1)
Corporate and Workplace Giving	$ 12,549	$ 107,193	12%	$ 23,941	$ (11,392)	$ 94,644	$ 426	
Endowment Funds	$ 11,431	$ 150,000	8%	$ -	$ 11,431	$ 138,569	$ (0)	
Individual Giving	$ 549,338	$ 550,000	100%	$ 93,542	$ 455,796	$ 662	$ 1,535	
Grants	$ 746,937	$ 1,117,750	67%	$ 305,311	$ 441,626	$ 370,813	$ 100,000	
Dues/Other	$ 17,577	$ -	n/a	$ 21,060	$ (3,483)	$ (17,577)	$ 177	
Total Cash & Pledges	**$ 1,793,407**	**$ 2,455,443**	**73%**	**$ 1,009,586**	**$ 783,821**	**$ 662,036**	**$ 102,148**	
Grant a Wish Holiday Giving	$ -	$ 35,000	0%	$ -	$ -	$ 35,000	$ -	
Non-GAW In-Kind	$ 25,943	$ 250,000	10%	$ 14,943	$ 11,000	$ 224,057	$ 1,223	
Total In-Kind	**$ 25,943**	**$ 285,000**	**9%**	**$ 14,943**	**$ 11,000**	**$ 259,057**	**$ 1,223**	
Grand Totals	**$ 1,819,350**	**$ 2,740,443**	**66%**	**$ 1,024,529**	**$ 794,821**	**$ 921,093**	**$ 103,371**	

FY20 Results for the same period:

FY20 YTD - Cash	**$ 1,009,586**
FY20 YTD - In-Kind	**$ 14,943**
FY20 YTD Total	**$ 1,024,529**
FY20 Goal	**$ 3,617,324**
FY20 YTD %	**28%**

Notes:

(1) Deferred from FY20 + FY21 early bird registrations

FY21 24 HOK - Financial Overview and Analysis

	FY21 Actual Virtual	FY21 Budget	FY20 Actual Live	Y/Y % +/-	Notes
Gala Registrants	400+	n/a	340	18%	
Revenue Gross	$ 445,319	$ 380,000	$ 495,119	90%	
Expenses	$ 43,950	$ 47,332	$ 123,321	36%	
Net	$ 401,369	$ 332,668	$ 371,798	108%	

	FY21 Actual Virtual	FY21 Budget	FY20 Actual Live		
Revenue					
Sponsorships	$ 97,500	$ 80,000	$ 116,000	84%	(1)
Special Appeal	$ 281,119	$ 300,000	$ 240,445	117%	(2)
Live/Super silent Auction	$ 48,000	$ -	$ 92,000	52%	(2)
Table/Ticket Sales	$ -	$ -	$ 20,774	0%	
Raffle	$ 18,700	$ -	$ 9,900	189%	(3)
Silent Auction	$ -	$ -	$ 16,000	0%	
	$ 445,319	$ 380,000	$ 495,119	90%	
Expenses					
Venue	$ -	$ -	$ 19,024	0%	
Food & Drink	$ 900	$ -	$ 17,442	5%	
Golf	$ -	$ 20,700	$ 21,000	0%	
Auction consignment	$ 14,050	$ -	$ 26,000	54%	(2)
Videos	$ 4,000	$ 2,000	$ 5,000	80%	
Event Consultant	$ 10,000	$ -	$ -	n/a	
Auctioneer host	$ 5,500	$ 7,000	$ 7,000	79%	
AV	$ 4,000	$ 5,000	$ 20,855	19%	
Promo & Other	$ 5,500	$ 12,632	$ 7,000	79%	
	$ 43,950	$ 47,332	$ 123,321	36%	

Notes

(1) Decrease due to COVID and subsequent corp outreach staff transition

(2) Increase/decrease due to no live auction and therefore greater promotion of Special Appeal

(3) Increase due to significantly broader pre-event promotion

Count of Donors	Column Labels			Notes
Row Labels	2019	2020	2021	
1 - Sponsorships	34	35	26	(1)
2 - Special Appeal/Event Contributions	139	156	160	
3 - Auction	45	50	11	(2)
4 - Golden Ticket	68	77	125	(3)
5 - Table/Tickets	20	18		
Grand Total	**306**	**336**	**322**	

Sum of Gift Amount	Column Labels			
Row Labels	2019	2020	2021	
1 - Sponsorships	$ 89,900	$ 116,000	$ 97,500	
2 - Special Appeal/Event Contributions	$ 159,605	$ 240,445	$ 281,119	(4)
3 - Auction	$ 125,410	$ 108,004	$ 48,000	(2)
4 - Golden Ticket	$ 8,600	$ 9,900	$ 18,700	
5 - Table/Tickets	$ 9,275	$ 20,770		
Grand Total	**$ 392,790**	**$ 495,119**	**$ 445,319**	

Other Donor Stats	2019	2020	2021	
Unique Donors	214	230	285	
First Time Donors	79	92	89	
Retention		36%	36%	(5)
Average Gift - Overall	$1,284	$1,474	$1,383	(6)
Average Gift - Sponsorships	$2,644	$3,314	$3,750	
Average Gift - Special Appeal/Event Contribut	$1,148	$1,541	$1,757	
Average Gift - Auction	$2,787	$2,160	$4,364	

Notes:

(1) Decrease due to COVID and subsequent corp outreach staff transition

(2) Decrease due to no live auction

(3) Increase due to significantly broader pre-event promotion

(4) Increase due to greater emphasis on SA vs auction

(5) % of this year's 24 HOK donors divided by who were last year's 24 HOK donors

(6) Includes Golden Ticket sales - $100 each

Albertina Kerr

Consolidated Statement of Activities

September 2020

	This Month			
	Actual 9/30/2020	**Budget 9/30/2020**	**Variance**	**% Change**
Revenue				
Contract and Program Revenue	$3,787,317.87	$3,690,623.42	$96,694.45	2.62 %
Contribution and Event Revenue	$240,775.34	$444,766.05	($203,990.71)	(45.86)%
Kerr Bikes/Sales to Public	$25,396.60	$18,548.03	$6,848.57	36.92 %
Investment Spend	$27,909.91	$27,909.91	$0.00	0.00 %
In-Kind Contributions	$36,231.55	$4,166.67	$32,064.88	769.56 %
Total Revenue	$4,117,631.27	$4,186,014.08	($68,382.81)	(1.63)%
Expenses				
Salaries & Wages	$2,616,020.55	$2,591,652.01	($24,368.54)	(0.93)%
Employee Benefits	$355,158.85	$324,216.86	($30,941.99)	(8.71)%
Payroll Taxes	$255,030.14	$265,556.73	$10,526.59	4.13 %
Contracted Direct Labor	$18,952.50	$7,586.41	($11,366.09)	(59.97)%
Other Employee Related Costs	$24,650.00	$27,392.16	$2,742.16	11.12 %
Professional Fees & Insurance	$38,293.21	$53,488.26	$15,195.05	39.68 %
Telecommunications	$1,906.83	$8,760.33	$6,853.50	359.42 %
Facilities & Occupancy	$217,392.06	$212,496.74	($4,895.32)	(2.25)%
Utilities	$52,096.39	$57,015.98	$4,919.59	9.44 %
Equipment	$18,590.38	$22,747.25	$4,156.87	22.36 %
Program & Office Supplies	$110,830.19	$110,013.74	($816.45)	(0.74)%
MIS	$81,465.55	$115,521.03	$34,055.48	41.80 %
Vehicles	$23,321.01	$39,537.41	$16,216.40	69.54 %
PR & Fundraising	$28,855.04	$61,821.03	$32,965.99	114.25 %
Cost of In-Kind Goods/Services	$36,231.55	$4,166.66	($32,064.89)	(88.50)%
Training & Other	$39,236.83	$60,921.25	$21,684.42	55.27 %
Interest Expense	$10,983.65	$18,091.31	$7,107.66	64.71 %
Total Manageable Expenses	$3,929,014.73	$3,980,985.16	$51,970.43	1.32 %
OPERATIONAL NET SURPLUS/(DEFICIT)	**$188,616.54**	**$205,028.92**	**($16,412.38)**	**(8.00)%**
Investment Income	($235,717.24)	$0.00	($235,717.24)	0.00 %
NET SURPLUS/(DEFICIT)	**($47,100.70)**	**$205,028.92**	**($252,129.62)**	**(122.97)%**

Albertina Kerr

Consolidated Statement of Activities

September Year-to-Date 2020

	Year to Date Actual 9/30/2020	Budget 9/30/2020	Variance	% Change
Revenue				
Contract and Program Revenue	$12,005,705.94	$10,938,036.25	$1,067,669.69	9.76 %
Contribution and Event Revenue	$973,671.86	$569,048.05	$404,623.81	71.11 %
Kerr Bikes/Sales to Public	$54,109.20	$71,307.71	($17,198.51)	(24.12)%
Investment Spend	$83,729.73	$83,729.73	$0.00	0.00 %
In-Kind Contributions	$44,106.86	$12,499.97	$31,606.89	252.86 %
Total Revenue	$13,161,323.59	$11,674,621.71	$1,486,701.88	12.73 %
Expenses				
Salaries & Wages	$7,913,748.56	$7,895,285.82	($18,462.74)	(0.23)%
Employee Benefits	$1,059,357.89	$972,672.90	($86,684.99)	(8.18)%
Payroll Taxes	$769,853.03	$806,161.02	$36,307.99	4.72 %
Contracted Direct Labor	$36,187.94	$22,759.23	($13,428.71)	(37.11)%
Other Employee Related Costs	$58,613.36	$82,176.48	$23,563.12	40.20 %
Professional Fees & Insurance	$115,923.89	$160,470.46	$44,546.57	38.43 %
Telecommunications	$11,470.49	$26,280.99	$14,810.50	129.12 %
Facilities & Occupancy	$566,714.96	$637,490.20	$70,775.24	12.49 %
Utilities	$143,162.88	$171,047.94	$27,885.06	19.48 %
Equipment	$62,705.35	$75,041.75	$12,336.40	19.67 %
Program & Office Supplies	$327,285.47	$331,541.15	$4,255.68	1.30 %
MIS	$247,560.06	$346,563.08	$99,003.02	39.99 %
Vehicles	$79,875.12	$118,612.16	$38,737.04	48.50 %
PR & Fundraising	$36,167.69	$90,599.09	$54,431.40	150.50 %
Cost of In-Kind Goods/Services	$44,106.86	$12,499.98	($31,606.88)	(71.66)%
Training & Other	$75,989.42	$182,763.64	$106,774.22	140.51 %
Interest Expense	$43,342.33	$54,233.08	$10,890.75	25.13 %
Total Manageable Expenses	$11,592,065.30	$11,986,198.97	$394,133.67	3.40 %
OPERATIONAL NET SURPLUS/(DEFICIT)	**$1,569,258.29**	**($311,577.26)**	**$1,880,835.55**	**(603.65)%**
Investment Income	$337,953.96	$0.00	$337,953.96	0.00 %
NET SURPLUS/(DEFICIT)	**$1,907,212.25**	**($311,577.26)**	**$2,218,789.51**	**(712.12)%**

Albertina Kerr Centers

Program Operating Recap

For September 2020

	MTD_Contr &_Prg_Rev	MTD Grant & Contribution Revenue	MTD Other Revenue	MTD Total Revenue	MTD Direct Expenses	MTD Margin Generated	MTD Indirect Allocations	MTD Total Expenses	MTD Operating Results	MTD Budget	Actual vs. Budget Variance
Programs											
Adult Group Homes											
Clackamas County Adult DD	407,504.54	0.00	3,192.38	410,696.92	450,770.80	(40,073.88)	(9,579.84)	441,190.96	(30,494.04)	(25,284.50)	(5,209.54)
Multnomah County Adult DD	337,245.66	0.00	3,161.69	340,407.35	363,638.61	(23,231.26)	(11,594.74)	352,043.87	(11,636.52)	(23,105.85)	11,469.33
Washington County Adult DD	189,748.64	0.00	4,928.97	194,677.61	185,229.08	9,448.53	(7,192.53)	178,036.55	16,641.06	(13,215.24)	29,856.30
Marion County Adult DD	346,925.18	0.00	2,979.87	349,905.05	373,001.19	(23,096.14)	(7,498.08)	365,503.11	(15,598.06)	(22,609.80)	7,011.74
	1,281,424.02	0.00	14,262.91	1,295,686.93	1,372,639.68	(76,952.75)	(35,865.19)	1,336,774.49	(41,087.56)	(84,215.39)	43,127.83
Employment Services	49,982.86	10.60	39,952.29	89,945.75	113,167.00	(23,221.25)	1,529.60	114,696.60	(24,750.85)	(9,568.10)	(15,182.75)
Studios	12,048.08	0.00	31,029.40	43,077.48	55,888.01	(12,810.53)	2,937.45	58,825.46	(15,747.98)	(35,044.40)	19,296.42
Kids DD Group Homes	1,586,853.67	0.00	0.00	1,586,853.67	1,230,045.53	356,808.14	(12,383.11)	1,217,662.42	369,191.25	129,941.02	239,250.23
Transition-Aged Group Homes	220,948.35	0.00	0.00	220,948.35	305,249.44	(84,301.09)	(12,211.13)	293,038.31	(72,089.96)	(18,644.70)	(53,445.26)
Kerr Bikes	8,989.39	0.00	15,000.00	23,989.39	15,379.31	8,610.08	(629.00)	14,750.31	9,239.08	(1,814.74)	11,053.82
Outpatient Mental Health	75,073.02	122,048.38	0.00	197,121.40	95,047.07	102,074.33	892.66	95,939.73	101,181.67	(54,207.86)	155,389.53
Subacute	473,490.49	75,637.35	0.00	549,127.84	621,434.09	(72,306.25)	22,373.13	643,807.22	(94,679.38)	(14,700.52)	(79,978.86)
Program Oversight and Other	0.00	3,119.79	0.00	3,119.79	16,150.92	(13,031.13)	(4,553.62)	11,597.30	(8,477.51)	(9,985.07)	1,507.56
Behavioral Specialists	13,498.77	0.00	(8,679.06)	4,819.71	49,856.13	(45,036.42)	(388.58)	49,467.55	(44,647.84)	(43,697.31)	(950.53)
Total Programs	3,722,308.65	200,816.12	91,565.54	4,014,690.31	3,874,857.18	139,833.13	(38,297.79)	3,836,559.39	178,130.92	(141,937.07)	320,067.99
Admin & Other											
Campus Buildings	0.00	0.00	0.00	0.00	(35,310.37)	35,310.37	(26,722.07)	(62,032.44)	62,032.44	(56,356.62)	118,389.06
Indirect Admin	0.00	78,150.84	0.00	78,150.84	91,243.23	(13,092.39)	61,206.23	152,449.46	(74,298.62)	378,815.38	(453,114.00)
Investment Spend Rate	0.00	24,790.12	0.00	24,790.12	0.00	24,790.12	0.00	0.00	24,790.12	24,790.12	0.00
Other Pooled Direct Costs	0.00	0.00	0.00	0.00	2,038.32	(2,038.32)	0.00	2,038.32	(2,038.32)	(282.89)	(1,755.43)
Total Admin & Other	0.00	68,631.70	0.00	102,940.96	57,971.18	44,969.78	34,484.16	92,455.34	10,485.62	346,965.99	(336,480.37)
Total Operating (Before Contingency)	**3,722,308.65**	**303,757.08**	**91,565.54**	**4,117,631.27**	**3,932,828.36**	**184,802.91**	**(3,813.63)**	**3,929,014.73**	**188,616.54**	**205,028.92**	**(16,412.38)**
Contingency	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(41,666.66)	41,666.66
Investment Income	0.00	0.00	(235,717.24)	(235,717.24)	0.00	0.00		0.00	(235,717.24)	0.00	(235,717.24)

Albertina Kerr Centers
Program Operating Recap
For September YTD 2020

	YTD_Contr &_Prg_Rev	YTD Grant & Contribution Revenue	YTD Other Revenue	YTD Total Revenue	YTD Direct Expenses	YTD Margin Generated	YTD Indirect Allocations	YTD Total Expenses	YTD Operating Results	YTD Budget	Actual vs. Budget Variance
Programs											
Adult Group Homes											
Clackamas County Adult DD	1,248,266.07	0.00	13,874.68	1,262,140.75	1,330,947.14	(68,806.39)	70,819.10	1,401,766.24	(139,625.49)	(75,853.50)	(63,771.99)
Multnomah County Adult DD	1,012,016.30	0.00	12,413.82	1,024,430.12	991,914.59	32,515.53	51,043.46	1,042,958.05	(18,527.93)	(69,317.56)	50,789.63
Washington County Adult DD	576,276.52	0.00	18,613.80	594,890.32	451,041.20	143,849.12	22,824.42	473,865.62	121,024.70	(39,645.72)	160,670.42
Marion County Adult DD	1,071,186.99	0.00	20,207.96	1,091,394.95	1,105,293.61	(13,898.66)	63,813.89	1,169,107.50	(77,712.55)	(67,829.40)	(9,883.15)
	3,907,745.88	0.00	65,110.26	3,972,856.14	3,879,196.54	93,659.60	208,500.87	4,087,697.41	(114,841.27)	(252,646.18)	137,804.91
Employment Services	212,454.41	31.80	155,745.13	368,231.34	346,858.52	21,372.82	19,932.36	366,790.88	1,440.46	(28,704.30)	30,144.76
Studios	27,507.18	100.00	143,022.13	170,629.31	152,911.32	17,717.99	6,592.23	159,503.55	11,125.76	(125,133.20)	136,258.96
Kids DD Group Homes	4,794,600.59	2,550.00	5,756.79	4,802,907.38	3,473,265.54	1,329,641.84	189,323.22	3,662,588.76	1,140,318.62	489,823.06	650,495.56
Transition-Aged Group Homes	717,894.65	0.00	0.00	717,894.65	821,753.07	(103,858.42)	44,342.34	866,095.41	(148,200.76)	(155,934.10)	7,733.34
Kerr Bikes	39,109.37	0.00	15,000.00	54,109.37	57,149.36	(3,039.99)	2,235.28	59,384.64	(5,275.27)	(5,444.22)	168.95
Outpatient Mental Health	276,621.77	149,312.31	11,378.95	437,313.03	315,397.28	121,915.75	11,632.24	327,029.52	110,283.51	(162,623.58)	272,907.09
Subacute	1,558,748.39	85,667.52	106,232.96	1,750,648.87	1,561,218.46	189,430.41	68,944.82	1,630,163.28	120,485.59	(141,063.02)	261,548.61
Program Oversight and Other	0.00	9,001.47	0.00	9,001.47	62,082.27	(53,080.80)	0.00	62,082.27	(53,080.80)	(59,955.21)	6,874.41
Behavioral Specialists	22,175.83	8,678.06	0.00	30,853.89	156,884.34	(126,030.45)	8,500.73	165,385.07	(134,531.18)	(131,091.93)	(3,439.25)
Total Programs	11,556,858.07	255,341.16	502,246.22	12,314,445.45	10,826,716.70	1,487,728.75	560,004.09	11,386,720.79	927,724.66	(572,772.68)	1,500,497.34
Admin & Other											
Campus Buildings	0.00	0.00	0.00	0.00	17,368.49	(17,368.49)	0.00	17,368.49	(17,368.49)	(118,772.42)	101,403.93
Indirect Admin	0.00	771,369.08	780.80	772,149.88	741,706.33	30,443.55	(560,004.09)	181,702.24	590,447.64	306,446.16	284,001.48
Investment Spend Rate	0.00	74,728.26	0.00	74,728.26	0.00	74,728.26	0.00	0.00	74,728.26	74,728.26	0.00
Other Pooled Direct Costs	0.00	0.00	0.00	0.00	6,273.78	(6,273.78)	0.00	6,273.78	(6,273.78)	(1,206.57)	(5,067.21)
Total Admin & Other	0.00	846,097.34	780.80	846,878.14	765,348.60	81,529.54	(560,004.09)	205,344.51	641,533.63	261,195.43	380,338.20
Total Operating (Before Contingency)	**11,556,858.07**	**1,101,438.50**	**503,027.02**	**13,161,323.59**	**11,592,065.30**	**1,569,258.29**	**0.00**	**11,592,065.30**	**1,569,258.29**	**(311,577.25)**	**1,880,835.55**
Contingency	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(125,000.00)	125,000.00
Investment Income	0.00	0.00	337,953.96	337,953.96	0.00	0.00	0.00	0.00	337,953.96	0.00	337,953.96

Albertina Kerr Consolidated
Balance Sheet

	09/30/2020	08/31/2020
Cash and Cash Equivalents	$1,688,157.10	$1,728,375.44
Cash held for others	$193,938.94	$152,274.44
Contract/Program Receivables	$2,966,234.96	$2,843,676.76
Less: Allowance for Doubtful Accounts	($51,523.91)	($53,150.10)
Investments	$9,560,029.32	$9,767,836.65
Chartible remainder trust receivables	$344,574.49	$344,574.49
Contributions Receivable	$28,818.83	$8,668.33
Other Receivables	$76,147.82	$52,075.96
Prepaid Expenses, Deposits & Other Current Assets	$549,915.80	$344,777.19
Other Long-Term Assets	($81,541.65)	($84,098.12)
Fixed Assets, Net	$22,301,505.04	$22,278,313.92
Due From / (To) Other Funds	($59.44)	$903.06
Total Assets	**$37,576,197.30**	**$37,384,228.02**
Accounts Payable and Accrued Expenses	$659,654.79	$420,296.14
Accrued Payroll Liabilities	$676,704.68	$523,381.74
PAL Liability	$777,636.65	$785,071.72
Contract Overpayments/Advances	$123,402.79	$257,267.01
Unemployment Reserve	$222,742.09	$193,549.73
Long-term debt	$4,218,708.55	$4,260,060.23
Total Liabilities	**$6,678,849.55**	**$6,439,626.57**
Available for Operation	$8,395,049.46	$8,317,813.36
Investment in Fixed Assets	$18,001,254.84	$17,934,155.57
Temporarily restricted	$2,240,852.49	$2,432,014.71
Permanently restricted	$2,260,190.96	$2,260,617.81
Total Net Assets	**$30,897,347.75**	**$30,944,601.45**
Total Liabilities and Net Assets	**$37,576,197.30**	**$37,384,228.02**

DRAFT

Albertina Kerr Centers

2020 Financial Statements and Audit Letters

Meeting of the Board of Directors

CONFIDENTIAL

November 16, 2020

Prepared by

Gary McGee & Co. LLP, Certified Public Accountants

Albertina Kerr Centers

1 **Letter to the Board of Directors**

A letter fulfilling our professional obligation to communicate directly with the Board of Directors concerning the audit and the financial reporting and disclosure process for which management is responsible

2 **Financial Statements**

The organization's consolidated financial statements and other supplementary information as of and for the year ended June 30, 2020

3 **Management Letter**

Our observations and recommendations resulting from the audit with regard to the organization's internal control structure and other operational matters

---

GM&Co. Client Service Team

Gary McGee, *Partner*
Nathan Bresser, *Senior Manager*
Thomas Wiederrecht, *Manager*
Tiffany Chen, *Senior Associate*
Joel Kosgey, *Associate*

Information

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Certified Public Accountants
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LETTER TO THE BOARD OF DIRECTORS

The Board of Directors
Albertina Kerr Centers:

We have audited the consolidated financial statements of Albertina Kerr Centers as of and for the year ended June 30, 2020, and have issued our report thereon dated November 9, 2020. Our professional standards require that we communicate with you concerning certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management is responsible. We have prepared the following comments to assist you in fulfilling that obligation.

1. The Auditor's Responsibility Under Professional Standards

Our responsibility under generally accepted auditing standards is to conduct an audit with the objective of forming and expressing an opinion about whether the financial statements are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States. An audit conducted in accordance with generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement, whether caused by error or fraud. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements that are not material to the financial statements, whether caused by error or fraud, are detected. Furthermore, the audit does not relieve management or those charged with governance of their responsibilities.

In planning and performing our audit of the financial statements, we considered the organization's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion.

2. Significant Accounting Policies and Unusual Transactions

Management is responsible for the selection and use of appropriate accounting policies. The organization's significant accounting policies are disclosed in the notes accompanying the financial statements. During the year ended June 30, 2020, there were no changes in previously adopted accounting policies or their application, nor were there any significant unusual transactions or transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

3. Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statements prepared by management, and are based upon management's current judgments. Those judgments are normally based on knowledge and experience about past and current events, as well as assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. Our responsibility is to determine that the Board of Directors is informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.

The significant accounting estimates contained in the organization's financial statements as of and for the year ended June 30, 2020 include, among others, (1) the fair value measurement of non-cash contributions other than marketable securities, (2) the collectibility of trade receivables and promises to give, (3) the fair value measurement of Level 3 investments, (4) calculations of the present values associated with unconditional promises to give and split-interest agreements, (5) the valuation of vacation, unemployment, and workers' compensation benefits, (6) depreciation expense, and (7) the functional allocation of expenses.

4. Significant Audit Adjustments

Certain adjustments resulted from the audit that, in our judgment, either individually or in the aggregate, had a significant quantitative or qualitative effect on the organization's financial reporting process. For purposes of this section, an audit adjustment, whether or not recorded by the organization, is a proposed correction of the financial statements that, in our judgment and unless otherwise noted, may not have been detected except through the auditing procedures performed.

The adjustments made to the current financial statements are summarized as follows:

Albertina Kerr Centers

Decrease in net assets according to the June 30, 2020 general ledger	$	(152,622)
Adjustments:		
Reduce the liability due to the AKC Foundation and record additional grant revenue from the Foundation		710,792
Accrue additional payroll and related expenses, net		(260,390)
Adjust Subacute receivables and related revenues, net		(179,269)
Adjust the group home receivables and related revenues, net		(73,059)
Adjust pledges receivables, net		(35,330)
Record additional accounts payable at year-end		(20,524)
Reserve/write off client funds receivable		(17,308)
Other adjustments individually less than $10,000, net		6,592
Total adjustments		131,504
Decrease in net assets according to the June 30, 2020 financial statements*	$	(21,118)

The preceding table excludes the $146,378 net decrease in beneficial interest in Albertina Kerr Centers Foundation reported on the consolidating schedule of activities.

Albertina Kerr Centers Foundation

Increase in net assets according to the June 30, 2020 general ledger	$	610,407
Adjustments:		
Adjust assets due from AKC and record related additional grant revenues		(683,292)
Adjust 24 Hours of Kerr revenue		(57,592)
Adjust contribution revenue		(50,997)
Record the change in value of charitable trusts		28,111
Other adjustments individually less than $10,000, net		6,985
Total adjustments		(756,785)
Decrease in net assets according to the June 30, 2020 financial statements*	$	(146,378)

Consolidated Financial Statements

Increase in net assets according to the June 30, 2020 general ledger	$	457,785
Adjustments:		
Adjustments made to Albertina Kerr Centers, net		131,504
Adjustments made to Albertina Kerr Centers Foundation, net		(756,785)
Total adjustments		(625,281)
Decrease in net assets according to the June 30, 2020 financial statements*	$	(167,496)

5. No Disagreements With Management

We had no disagreements with management regarding the application of accounting principles, the basis for management's judgments about accounting estimates, the scope of our audit, disclosures to be included in the financial statements, or the wording of our report on the financial statements that, if not satisfactorily resolved, could be significant to the organization's financial statements or to our independent accountants' report.

6. No Consultation With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that there were no consultations with other independent public accountants regarding accounting or auditing matters relating to the current audit period.

7. No Significant Issues Discussed With Management Prior to Engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the organization's independent accountants. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

8. No Difficulties Encountered in Performing the Audit

We experienced no difficulties working with management during the performance of our audit. We received the full cooperation of management and staff.

9. Material Written Communications

Enclosed in this packet you will find a copy of our firm's management letter. In addition to this letter, management can provide you with copies of other material written communications from our firm, including the engagement letter and the management representation letter.

■

This report is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

November 9, 2020

Albertina Kerr Centers

Consolidated Financial Statements and Other
Information as of and for the Year Ended June 30, 2020
and Report of Independent Accountants

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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. 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.

Janice Jacobs, M.B.A., C.H.F.P.
Chief Financial Officer
Albertina Kerr Centers

4

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Albertina Kerr Centers:

We have audited the accompanying consolidated financial statements of Albertina Kerr Centers, which comprise the consolidated statement of financial position as of June 30, 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Albertina Kerr Centers as of June 30, 2020, 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.

Supplementary Information2

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 28 and 29 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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 consolidated financial statements as a whole.

Summarized Comparative Information

We have previously audited Albertina Kerr Centers' 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

November 9, 2020

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(WITH COMPARATIVE AMOUNTS FOR 2019)

	2020	2019
Assets:		
Cash and cash equivalents	$ 1,763,323	1,702,163
Accounts receivable *(note 4)*	2,536,879	2,664,168
Contributions receivable *(note 5)*	73,635	111,376
Prepaid expenses, deposits, and other current assets	400,252	490,183
Investments *(note 6)*	8,962,721	8,871,358
Beneficial interest in assets held by the Oregon Community Foundation *(note 7)*	177,874	185,702
Contributions receivable from charitable remainder unitrusts *(note 8)*	281,689	492,470
Other long-term assets	57,085	58,536
Land, buildings, equipment, and property rights *(notes 9 and 11)*	22,351,273	21,589,651
Total assets	$ 36,604,731	36,165,607
Liabilities:		
Accounts payable and accrued expenses	840,632	461,549
Construction payables	64,711	49,082
Accrued payroll liabilities	2,577,456	2,032,033
Deferred revenues and amounts refundable to grantors	56,863	139,360
Other liabilities *(note 10)*	258,587	183,250
Long-term debt *(note 11)*	4,329,760	4,781,355
Interest rate swap agreement *(note 11)*	120,271	(4,969)
Total liabilities	8,248,280	7,641,660
Net assets:		
Without donor restrictions:		
Available for programs and general operations	280,447	1,060,010
Designated by Board for endowment *(note 13)*	6,409,998	6,247,247
Net investment in capital assets	17,956,802	16,759,214
Total without donor restrictions	24,647,247	24,066,471
With donor restrictions *(note 12)*	3,709,204	4,457,476
Total net assets	28,356,451	28,523,947
Commitments and contingencies *(notes 16, 17, 18, and 19)*		
Total liabilities and net assets	$ 36,604,731	36,170,576

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

	2020			
	Without donor restrictions	With donor restrictions	Total	2019
Operating revenues, gains, and other support:				
Contract service fees	$ 44,554,837	–	44,554,837	39,780,536
Grants and contributions	1,195,661	619,256	1,814,917	1,457,635
Special events, net of direct costs of $165,243 in 2020 and $274,409 in 2019	407,606	–	407,606	347,916
Sales, net of cost of sales of $70,057 in 2020 and $84,909 in 2019	382,922	–	382,922	562,160
Investment return *(note 6)*	1,224	–	1,224	1,586
Other revenues	806,783	–	806,783	424,592
Total operating revenues and gains	47,349,033	619,256	47,968,289	42,574,425
Appropriation of Board-designated endowment assets for expenditure	238,387	–	238,387	243,096
Appropriation of donor-restricted endowment assets for expenditure	–	102,851	102,851	87,842
Net assets released from restrictions *(note 14)*	932,000	(932,000)	–	–
Total operating revenues, gains, and other support	48,519,420	(209,893)	48,309,527	42,905,363
Expenses *(note 15)*:				
Program services	43,321,741	–	43,321,741	38,518,272
Management and general	3,710,925	–	3,710,925	3,492,031
Resource development	1,134,937	–	1,134,937	1,143,829
Volunteer-managed businesses	471,985	–	471,985	450,610
Total expenses	48,639,588	–	48,639,588	43,604,742
Net operating results	$ (120,168) [A]	(209,893)	(330,061)	(699,379)

[A] The net 2020 operating results include depreciation and amortization expense of $1,561,979.

Continued

CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			
	Without donor restrictions	With donor restrictions	Total	2019
Non-operating activities:				
Capital contributions and grants	$ –	677,199	677,199	1,398,600
Endowment gifts	–	–	–	5,236
Endowment return *(note 6)*	218,183	97,120	315,303	456,555
Net change in the beneficial interest in assets held by the Oregon Community Foundation *(note 7)*	(478)	–	(478)	11,118
Appropriation of Board-designated endowment assets for expenditure	(238,387)	–	(238,387)	(243,096)
Appropriation of donor-restricted endowment assets for expenditure	–	(102,851)	(102,851)	(87,842)
Net change in the carrying value of contributions receivable from charitable remainder unitrusts *(note 22)*	–	28,111	28,111	51,642
Net change in the actuarial value of charitable gift annuity agreements	(7,595)	(259)	(7,854)	(3,275)
Net gain (loss) on disposal of assets	(383,238)		(383,238)	10,220
Net assets released from restrictions for capital purposes *(note 14)*	1,237,699	(1,237,699)	–	–
Net change in the fair value of interest rate swap agreement	(125,240)	–	(125,240)	(120,322)
Total non-operating activities	700,944	(538,379)	162,565	1,478,836
Increase (decrease) in net assets	580,776	(748,272)	(167,496)	779,457
Net assets at beginning of year	24,066,471	4,457,476	28,523,947	27,744,490
Net assets at end of year	$ 24,647,247	3,709,204	28,356,451	28,523,947

See accompanying notes to consolidated financial statements.

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020					
	Program services	Management and general	Resource development	Volunteer-managed businesses	Total	2019
Salaries and related costs	$ 35,863,077	2,773,827	652,756	233,959	39,523,619	35,010,074
Clinical and other contract labor	64,833	96,458	632	6,533	168,456	295,099
Legal and professional fees	100,206	318,549	1,111	3,481	423,347	292,931
Liability insurance	237,856	48,442	2,578	992	289,868	239,549
Program supplies	1,171,953	9,648	44,988	37,793	1,264,382	1,065,937
Office supplies	130,962	36,810	14,352	4,778	186,902	144,290
Telecommunications and information systems	834,900	112,611	31,269	5,569	984,349	908,244
Facilities	2,189,416	62,583	9,300	129,489	2,390,788	2,236,668
Equipment costs	157,087	11,098	823	5,152	174,160	152,582
Vehicle expense	340,332	1,188	194	8	341,722	464,229
Public relations and fundraising	12,692	65,945	337,519	4,805	420,961	568,507
Interest	191,843	20,763	–	–	212,606	224,235
Other	542,885	98,816	34,234	20,514	696,449	442,851
Total expenses before depreciation and amortization	41,838,042	3,656,738	1,129,756	453,073	47,077,609	42,045,196
Depreciation and amortization	1,483,699	54,187	5,181	18,912	1,561,979	1,559,546
Total expenses	$ 43,321,741	3,710,925	1,134,937	471,985	48,639,588	43,604,742

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
Cash flows from operating activities:		
Cash received from contractors, grantors, contributors, and others	$ 47,366,387	40,825,670
Cash received from sales of associated businesses	452,979	647,069
Investment income received	172,481	166,656
Cash paid to employees and suppliers	(45,577,561)	(41,871,913)
Interest paid	(212,606)	(224,235)
Net cash provided by (used in) operating activities	2,201,680	(456,753)
Cash flows from investing activities:		
Capital expenditures	(2,686,591)	(1,423,495)
Cash proceeds received on the sale of assets	–	11,979
Cash proceeds received on the sale of investments	225,094	107,970
Purchases of investments	–	(10,000)
Reinvestment of investment income	(172,411)	(166,656)
Net cash used in investing activities	(2,633,908)	(1,480,202)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital acquisition and long-term investment	716,811	1,457,956
Distributions to charitable gift annuity beneficiaries	(10,720)	(5,253)
Proceeds from contributions subject to charitable gift annuity agreements	238,892	188,167
Proceeds received on the issuance of long-term debt	–	179,000
Principal reductions of long-term debt	(451,595)	(449,596)
Net cash provided by financing activities	493,388	1,370,274
Net increase (decrease) in cash and cash equivalents	61,160	(566,681)
Cash and cash equivalents at beginning of year	1,702,163	2,268,844
Cash and cash equivalents at end of year	$ 1,763,323	1,702,163

See accompanying 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; and The Old Kerr Nursery Association ("TOKNA"), a voluntary association that operates Albertina's Place, including Albertina's Kitchen, the Kerr Gift Shop, and Kerr's Home Décor for the benefit of the organization's programs. 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, 2020, 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, 2020.

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.

- *Grants and Contributions* – If the transfer of assets 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, 2020, the organization recorded $103,067 in donated program-related 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, 2020, the organization recorded $92,424 in in-kind contributions of program goods and materials, and $239,230 in donated advertisement 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.

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), 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 a single-member, limited liability company controlled by a nonprofit organization, Kerr Bikes, LLC is treated, for tax purposes, as a disregarded entity.

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 9, 2020, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2019 – The accompanying financial information as of and for the year ended June 30, 2019, 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, 2020, 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 kids 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 18 neighborhood group homes. Caring, supportive services instill life skills for increased independence.

Adult Group Homes – Thirty-three 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.

Portland Art and Learning Studios – People with IDD pursue meaningful art and recreation-based activities, learning tools for professional development, using art for articulation and therapeutic practices, and contribute their unique voices to the community.

4. Accounts Receivable

At June 30, 2020, the organization reported outstanding receivables, as follows:

Contract payments receivable	$ 1,316,004
Program service fees receivable	1,262,852
	2,578,856
Less allowance for uncollectible receivables	(41,977)
	$ 2,536,879

5. Contributions Receivable

Contributions receivable at June 30, 2020 represent unconditional promises which are expected to be collected in less than one year as follows:

Contributions receivable	$	78,490
Less allowance for doubtful collection		(4,855)
	$	73,635

Gross contributions receivable at June 30, 2020 carry the following restrictions:

Capital projects *(note 12)*	$	2,219
Support of general programs and operations		76,271
	$	78,490

6. Investments and Investment Return

Investments, which are carried at fair value, consisted of the following at June 30, 2020:

Mutual funds	$	5,392,923
Fixed income securities		2,908,569
Real estate investment trusts		441,810
		8,743,302
Plus money funds, sweep options, and other cash equivalents		219,419
	$	8,962,721

Investments are held for the following purposes:

Board-designated endowment	$	6,211,281
Donor-restricted endowment		1,965,808
Unappropriated endowment earnings		785,632
	$	8,962,721

Total return on investments for the year ended June 30, 2020 was as follows:

Interest and dividend income	$	172,481
Net appreciation in the fair value of investments		144,046
	$	316,527

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

Operating investment return	$	1,224
Endowment return		315,303
	$	316,527

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, 2020 are summarized as follows:

Balance at beginning of year	$	185,702
Distributions		(7,350)
Decrease in fair value of funds		(478)
Balance at end of year	$	177,874

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, 2020, the organization received $7,350 in distributions.

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 either a percentage of the remaining assets of the trusts.

A contribution receivable of $281,689 was recorded at June 30, 2020, 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, 2020 is as follows:

Land	$ 563,678
Buildings	20,265,791
Improvements	9,146,586
Furniture and equipment	5,715,706
Vehicles	1,641,111
Property rights	35,406
Construction-in-progress	1,457,604
	38,825,882
Less accumulated depreciation and amortization	(16,474,609)
	$ 22,351,273

10. Other Liabilities

At June 30, 2020, the following summarizes the organization's other liabilities:

Funds held on behalf of others	$ 223,724
Liabilities associated with charitable gift annuities [1]	34,863
	$ 258,587

[1] Included in the organization's investment balances at June 30, 2020 is $43,655 in assets invested in money market and mutual funds associated with four charitable gift annuities held at June 30, 2020. 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, 2020, 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 4.8% to 7.7%. The liability recorded at June 30, 2020 totaled $34,863.

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, 2020 totaled $34,863.

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, 2020:

Various mortgage and refinancing notes associated with program facilities [1]	$ 2,066,058
Bank of America term note [2]	275,469
Private party mortgage [3]	144,900
Small business association loan [4]	1,613,333
Campus improvements loan [5]	230,000
	$ 4,329,760

[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, 2020, the fair market value of the swap agreement was a negative $120,271 (a liability).

[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.

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, 2020, the organization was in compliance with these covenants.

Obligations for future payments of principal are summarized as follows:

Years ending June 30,	
2021	$ 454,938
2022	469,627
2023	483,437
2024	398,619
2025	410,335
Thereafter	2,112,804
	$ 4,329,760

Interest expense totaled $212,606 for the year ended June 30, 2020.

12. Net Assets with Donor Restrictions

The following summarizes Albertina Kerr Center's net assets with donor-imposed restrictions as of June 30, 2020:

"Community Promise" capital campaign contributions receivable for Intensive Treatment facility construction	$	2,219
Contributions receivable for programs and other purposes		71,416
		73,635
Unexpended cash:		
Cash restricted for capital improvements		439,831
Cash restricted for programs and other purposes		162,609
		602,440
Endowment restricted for the following purposes:		
Chaplaincy		893,205
Landmark Preservation Fund		373,757
Endowment unrestricted as to purpose [1]		1,766,167
Total endowment *(note 13)*		3,033,129
Total net assets with donor restrictions	$	3,709,204

[1] Includes the projected remainder portion of a charitable remainder unitrust, valued at $281,689 at June 30, 2020.

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, 2020:

		With donor restrictions				
		Accumulated endowment return	Endowment principal	Total	Without donor restrictions	Total endow- ment
Endowment net assets at beginning of year	$	792,351	2,261,384	3,053,735	6,247,248	9,300,983
Grants and contributions					183,432	183,432
Investment return		96,132	988	97,120	218,183	315,303
Decrease in the carrying value of contributions receivable from charitable remainder unitrusts		–	(14,616)	(14,616)	–	(14,616)
Increase in the beneficial interest in assets held by the Oregon Community Foundation		–	–	–	(478)	(478)
Net change in the actuarial value of charitable gift annuity agreements		–	(259)	(259)	–	(259)
Appropriation of endowment assets for expenditure		(102,851)	–	(102,851)	(238,387)	(341,238)
Endowment net assets at end of year	$	785,632	2,247,497	3,033,129	6,409,998	9,443,127

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, 2020, the Foundation's Board of Trustees appropriated 4%, or a total of $102,851, from donor-restricted endowment funds, and $238,387 from the Board-designated endowment.

14. Net Assets Released from Restrictions

During the year ended June 30, 2020, the organization incurred $1,470,805 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 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	$ 932,000
Satisfaction of donor restrictions for capital projects	1,237,699
	$ 2,169,699

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. 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.

17. 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. Effective June 5, 2020 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, 2020, the organization contributed $400,342 as a part of the plan's matching component described in the preceding paragraph. No discretionary contributions were made to the plan.

18. 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, 2020, 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, 2020.

Changes in the reported liability for self-insured unemployment claims during the year ended June 30, 2020 resulted from the following:

Liability at beginning of year	$	264,051
Current year claims		104,121
Claim payments		(145,430)
Liability at end of year	$	222,742

19. Operating Lease Commitments

The organization leases various administrative and program office facilities under non-cancelable operating leases that expire in various years through August of 2023. The organization has the option to renew many of these leases at various terms and amounts.

At June 30, 2020, the approximate minimum rental commitments under these leases are as follows:

Years ending June 30,		
2021	$	378,963
2022		239,636
2023		125,023
2024		24,553
	$	768,175

Rent expense for the year ended June 30, 2020 totaled $515,525.

20. 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, 2020:

Total financial assets available:		
Cash and cash equivalents	$	1,763,323
Accounts receivable		2,536,879
Contribution receivable		73,635
Investments		8,962,721
		13,336,558
Less financial assets not available within the year ending June 30, 2021:		
Financial assets restricted by donors for endowment		(3,033,129)
Financial assets designated by the Board for quasi-endowment		(6,409,998)
Financial assets restricted by donors for capital improvements		(442,050)
		(9,885,177)
Plus other funds subject to appropriation for expenditure:		
Fiscal year 2021 endowment appropriations for operations		107,872
Board-designated funds approved for expenditure in 2021		241,775
		349,647
	$	3,801,028

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 $6,409,998 (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.

21. 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.

22. 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, 2020, 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:				
Large-blend index	$ 3,154,563	–	–	3,154,563
Foreign large-blend	1,241,001	–	–	1,241,001
Small-cap	458,977	–	–	458,977
Diversified emerging markets	268,131	–	–	268,131
Mid-cap	270,251	–	–	270,251
Total mutual funds	5,392,923	–	–	5,392,923
Fixed income securities:				
Corporate bonds	2,908,569	–	–	2,908,569
Alternative investments:				
Real estate investment trusts	–	–	441,810	441,810
Total investments	8,301,492	–	441,810	8,743,302
Beneficial interest in assets held by the Oregon Community Foundation *(note 7)*	–	177,874	–	177,874
Contributions receivable from charitable remainder unitrusts *(note 8)*	–	281,689	–	281,689
	$ 8,301,492	459,563	441,810	9,202,865

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	$ 185,702	492,470	678,172
Decrease in the beneficial interest in assets held by the Oregon Community Foundation	(478)	–	(478)
Distribution of investment return	(7,350)	–	(7,350)
Increase in the carrying value of contributions receivable from charitable remainder unitrusts	–	28,111	28,111
Trust distributions	–	(238,892)	(238,892)
Fair value at end of year	$ 177,874	281,689	459,563
	[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).

23. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the decrease 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):

Decrease in net assets	$	(167,496)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation		1,545,558
Amortization of property rights		11,802
Amortization of fees		4,619
Net appreciation in the fair value of investments		(144,046)
Decrease in the beneficial interest in assets held by the Oregon Community Foundation		478
Cash distributions received from the Oregon Community Foundation		7,350
Net loss on disposal of capital assets		383,238
Net change in the fair value of interest rate swap agreement		125,240
Increase in the carrying value of contributions receivable from charitable remainder unitrusts		(28,111)
Net change in the actuarial value of charitable gift annuity agreements		7,854
Contributions restricted for capital acquisition and long-term investment		(716,811)
Net changes in:		
Accounts receivable		127,289
Contributions receivable		37,741
Prepaid expenses, deposits, and other current assets		85,312
Other long-term assets		1,451
Accounts payable and accrued expenses		379,083
Accrued payroll liabilities		545,423
Deferred revenues and amounts refundable to grantors		(82,497)
Other liabilities		78,203
Total adjustments		2,369,176
Net cash provided by operating activities	$	2,201,680

24. Reclassification of 2019 Comparative Totals

Certain 2019 amounts presented herein have been reclassified to conform to the 2020 presentation.

ALBERTINA KERR CENTERS

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2020
(WITH COMPARATIVE AMOUNTS FOR 2019)

	2020					
	Albertina Kerr Centers	Kerr Bikes, LLC	Albertina Kerr Centers Foundation	Consoli-dating elimination entries	Total	2019
Assets:						
Cash and cash equivalents	$ 1,616,574	29,241	117,508	–	1,763,323	1,702,163
Accounts receivable	2,536,879	–	–	–	2,536,879	2,664,168
Contributions receivable	2,219	–	71,416	–	73,635	111,376
Prepaid expenses, deposits, and other current assets	377,120	2,795	20,337	–	400,252	490,183
Investments	44,836	–	8,917,885	–	8,962,721	8,871,358
Beneficial interest in assets held by the Oregon Community Foundation	–	–	177,874	–	177,874	185,702
Beneficial interest in Albertina Kerr Centers Foundation	9,529,992	–	–	(9,529,992)	–	–
Contributions receivable from charitable remainder unitrusts	–	–	281,689	–	281,689	492,470
Other long-term assets	–	–	57,085	–	57,085	58,536
Land, buildings, equipment, and property rights	22,262,681	37,784	50,808	–	22,351,273	21,589,651
Interest rate swap agreement	–	–	–	–	–	4,969
Intra-organizational receivable (payable)	199,909	(69,547)	(130,362)	–	–	–
Total assets	$ 36,570,210	273	9,564,240	(9,529,992)	36,604,731	36,170,576
Liabilities:						
Accounts payable and accrued expenses	840,359	273	–	–	840,632	461,549
Construction payables	64,711	–	–	–	64,711	49,082
Accrued payroll liabilities	2,577,456	–	–	–	2,577,456	2,032,033
Deferred revenues and amounts refundable to grantors	22,615	–	34,248	–	56,863	139,360
Other liabilities	258,587	–	–	–	258,587	183,250
Interest rate swap agreement	120,271	–	–	–	120,271	–
Long-term debt	4,329,760	–	–	–	4,329,760	4,781,355
Total liabilities	8,213,759	273	34,248	–	8,248,280	7,646,629
Net assets:						
Without donor restrictions	27,917,684	–	6,259,555	(9,529,992)	24,647,247	24,066,471
With donor restrictions	438,767	–	3,270,437	–	3,709,204	4,457,476
Total net assets	28,356,451	–	9,529,992	(9,529,992)	28,356,451	28,523,947
Total liabilities and net assets	$ 36,570,210	273	9,564,240	(9,529,992)	36,604,731	36,170,576

ALBERTINA KERR CENTERS

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020					
	Albertina Kerr Centers	Kerr Bikes, LLC	Albertina Kerr Centers Foundation	Consoli-dating elimination entries	Total	2019
Operating revenues, gains, and other support:						
Contract service fees	$ 44,554,837	–	–	–	44,554,837	39,780,536
Grants and contributions	1,876,912	2,823	1,601,195	(1,666,013)	1,814,917	1,457,635
Special events, net	–	–	407,606	–	407,606	347,916
Sales, net	5,208	8,906	368,808	–	382,922	562,160
Investment return	1,224	–	–	–	1,224	1,586
Other	637,370	161,447	7,966	–	806,783	424,592
Net change in beneficial interest in Albertina Kerr Centers Foundation	(146,378)	–	–	146,378	–	–
Appropriation of endowment assets	–	–	341,238	–	341,238	330,938
Other operating transfers	(19,867)	19,867	–	–	–	–
Total revenues, gains, and other support	46,909,306	193,043	2,726,813	(1,519,635)	48,309,527	42,905,363
Expenses:						
Program services	43,128,698	193,043	–	–	43,321,741	38,518,272
Management and general	3,432,760	–	278,165	–	3,710,925	3,492,031
Resource development	–	–	1,134,937	–	1,134,937	1,143,829
Volunteer-managed businesses	–	–	471,985	–	471,985	450,610
Grants to Albertina Kerr Centers	–	–	1,666,013	(1,666,013)	–	–
Total expenses	46,561,458	193,043	3,551,100	(1,666,013)	48,639,588	43,604,742
Increase (decrease) in net assets before non-operating activities	347,848	–	(824,287)	146,378	(330,061)	(699,379)
Non-operating activities:						
Capital contributions and grants	–	–	677,199	–	677,199	1,398,600
Endowment gifts	–	–	–	–	–	5,236
Investment income	988	–	314,315	–	315,303	456,555
Net change in the beneficial interest in assets held by the Oregon Community Foundation	–	–	(478)	–	(478)	11,118
Appropriation of endowment assets	–	–	(341,238)	–	(341,238)	(330,938)
Net change in the carrying value of contributions receivable from charitable remainder unitrusts	–	–	28,111	–	28,111	51,642
Net change in the actuarial value of charitable gift annuity agreements	(7,854)	–	–	–	(7,854)	(3,275)
Net gain on disposal of assets	(383,238)	–	–	–	(383,238)	10,220
Net change in the fair value of interest rate swap agreement	(125,240)	–	–	–	(125,240)	(120,322)
Increase (decrease) in net assets	(167,496)	–	(146,378)	146,378	(167,496)	779,457
Net assets at beginning of year	28,523,947	–	9,676,370	(9,676,370)	28,523,947	27,744,490
Net assets at end of year	$ 28,356,451	–	9,529,992	(9,529,992)	28,356,451	28,523,947

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LightPoint

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Chief Financial Officer
downstream

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Moda Health

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Buchalter Ater Wynne, LLP

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Community Advocate

Susan Hobbel
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Kaiser Permanente

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

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Connie West

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Holly Edgar, *Secretary*

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Jeff Carr
Chief Executive Officer

Anne Adler
Chief Development Officer

Van Field
Chief Facilities & Fleet Officer

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

Janice Jacobs, M.B.A.
Chief Financial Officer

Derrick Perry
Chief Program Officer

Craig Rusch
Chief Information Officer

Matt Warner, M.B.A., S.P.H.R.
Chief Human Resources Officer

INQUIRIES AND OTHER INFORMATION

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MANAGEMENT LETTER

The Board of Directors
Albertina Kerr Centers:

In planning and performing our audit of the consolidated financial statements of the Albertina Kerr Centers, as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States, we considered the organization's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the attached exhibits, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our letter to the organization dated November 7, 2019, relating to the 2019 audit, included several recommendations about ways to improve the organization's accounting and financial operations, and its internal control structure. To facilitate a review of these earlier recommendations, we have prepared a chart that summarizes each recommendation previously made and the current status of implementation. This chart appears immediately following this letter as Exhibit 1. Following the chart is Exhibit 2, which contains some additional recommendations based on the 2020 audit.

This communication is intended solely for the information and use of management, the finance, audit and compliance committee, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

November 9, 2020

PREVIOUS RECOMMENDATIONS

Previous Recommendation	Current Status
Material Weaknesses	
1. A number of accounts, (e.g., payroll clearing (sweep) cash account, contracts receivable, contributions receivable, accounts payable, grants payable, accrued payroll expenses and deferred revenue, etc.) were not routinely reviewed, reconciled, and/or adjusted appropriately during the course of the fiscal year, resulting in numerous year-end audit adjustments and reclassifications. Many of these accounts have subsidiarity ledgers that did not agree with, and were not reconciled to, the amounts recorded in the primary accounting system. When we inquired about the balances in these accounts, management struggled to provide us with schedules or explanations as to what made up the balance of many of these accounts. Left unaddressed, the lack of regular analysis, review and reconciliation could result in financial information used by the organization that is materially misstated. We recommend that all accounts be reconciled monthly and that differences be investigated and resolved immediately.	1. No significant improvement was noted. In addition, we identified additional accounts that were not properly reconciled at year-end, including certain cash accounts and contribution revenues. The organization's interfund accounts and transfer accounts should also be reviewed, reconciled and adjusted on a regular basis. At year-end, for example, the unadjusted trial balance reported that AKC owed the Foundation approximately $611,000. Adjustments were necessary to correct these and similar balances. The client trust fund liabilities were also not adjusted during the year. Although the funds were reconciled monthly, the net changes in the accounts were not recorded in the general ledger during the year. Net adjustments to client trust funds made during the audit increased the balance by $131,218.
Significant Deficiencies	
2. The organization should implement regular reviews of payroll "change" or "edit" reports, and document the payroll review process.	2. Improvements noted, however a number of payroll and employee benefit accrual adjustments were found to be necessary in 2020.
3. Finance and development staff should meet regularly to reconcile contribution revenue and related receivables recorded in the donor database to the amounts recorded in the accounting records.	3. Meetings between the two departments were held regularly, but several adjustments to both contributions receivable and contribution revenue were necessary in 2020. The organization still struggles to prepare detailed lists of pledges receivable and contribution revenues that agree to the general ledger.

Previous Recommendation	Current Status
4. We noted several instances in which Health Share revenues had been duplicated in the financial records.	4. No duplicate revenues were noted in 2020.
5. During our audit of payments made subsequent to year-end, we noted that a significant payment for the purchase of a van had been duplicated in error. This resulted in a refund requested from the vendor.	5. Nothing similar was noted in 2020.
6. The organization received a significant gift of advertising for the Race for Roses fundraising event that had not been recorded in the accounting records.	6. In-kind contribution adjustments totaling $81,765 (primarily advertising) were recorded during the 2020 audit.
7. The organization should develop a system to track restricted gifts by donor, and to facilitate monitoring of the use of donor-restricted funds.	7. There does not yet appear to be any formal monitoring of the "rollforward" of restricted gifts and the use of those gifts in satisfaction of the donor's restriction.

CURRENT RECOMMENDATIONS

All of the open items reported in Exhibit 1, "current status," continue as current recommendations. In addition, the following general comments and recommendations are offered based on the 2020 audit.

General Comments and Recommendations

1. The organization needs to increase the experience and depth of its financial management and accounting personnel.

2. Significant improvement needs to be made in segregation of duties, responsibilities and management review controls. We noted, for example, that certain accounting personnel had the ability and responsibility during the early part of the year to post and reconcile accounts under their control without an adequate independent review. This practice was altered during the year, however, so that a single senior accountant became responsible for reviewing and posting all journal entries. Nevertheless, incorrect journal entries were posted to the general ledger during the year. This lack of segregation of duties and/or inadequate review of journal entries could permit errors to go undetected. Procedures need to be implemented to ensure that management personnel with appropriate knowledge and understanding actually review and sign off on the reconciliations, analysis, resulting adjustments, and other financial information.

3. Overall, policies, procedures and standardization of internal controls need to be implemented and communicated to all staff. Management should develop organization-wide standards of internal control to document its commitment to compliance with applicable laws and regulations, as well as reliable operational and financial reporting and integrity of business activities and records. Good internal controls are fundamental to the organization achieving its key initiatives and goals. Such organization-wide standards of internal control should be applicable to all subsidiaries, units and departments. The standards generally should reflect control objectives and not attempt to describe specific procedures required in each business unit.

4. In many cases, there was insufficient detail provided to us during the audit to understand, review, and assess the propriety of the accounts we were reviewing. This suggests a lack of basic accounting management knowledge and experience, and also provides some evidence that the accounts were not previously reviewed by management for accuracy. In fact, the initial information given to us was apparently not reviewed by anyone other than the preparer. The organization needs to strengthen, and in some cases implement, procedures and controls to review, monitor and maintain the general ledger.

5. Appropriate procedures should be implemented such that the organization's operating management is confident that financial information being used to manage their businesses is ultimately included in the organization's externally reported financial information.

6. Procedure manuals should document financial processes to promote good internal controls and senior staff must ensure that procedures are being followed. Manuals must be specific, include who is responsible for each action, and require every recorded financial transaction be matched to adequate supporting documentation. The manual should be updated regularly. Having a written financial procedures manual is critical to good risk management. It ensures how your organization operates is institutionalized and won't vanish with staff turnover.