



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Albertina Kerr Centers

Consolidated Financial Statements and Other Information
as of and for the Year Ended June 30, 2011
and Report of Independent Accountants

ALBERTINA KERR CENTERS

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Letter from the Chief Financial Officer

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

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

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

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

Jerry Hoffert, MBA
Chief Financial Officer
Albertina Kerr Centers

REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
Albertina Kerr Centers:*

We have audited the accompanying consolidated statement of financial position of Albertina Kerr Centers as of June 30, 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Albertina Kerr Centers' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the consolidated financial statements of Albertina Kerr Centers as of June 30, 2010 and, in our report dated November 2, 2010, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Albertina Kerr Centers as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the schedules on pages 26 and 27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of

the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst & Young & CO, LLP

November 8, 2011

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

(WITH COMPARATIVE AMOUNTS FOR 2010)

	2011	2010
Assets:		
Cash and cash equivalents	\$ 5,079,051	4,216,666
Accounts receivable <i>(note 4)</i>	1,636,547	1,112,451
Contributions receivable <i>(note 5)</i>	142,028	173,138
Prepaid expenses, deposits, and other current assets	381,830	397,927
Investments <i>(note 6)</i>	7,787,715	3,788,155
Beneficial interest in assets held by the Oregon Community Foundation <i>(note 7)</i>	136,307	113,054
Contributions receivable from charitable remainder unitrusts <i>(note 8)</i>	383,600	3,203,543
Other long-term assets	75,291	25,692
Land, buildings, equipment, and property rights <i>(notes 9, 11, and 12)</i>	9,501,836	8,984,858
Total assets	\$ 25,124,205	22,015,484
Liabilities:		
Accounts payable and accrued expenses	605,321	545,757
Accrued payroll liabilities	2,352,836	2,207,148
Deferred revenues and amounts refundable to grantors	48,689	116,863
Other liabilities <i>(note 10)</i>	212,590	206,248
Capital lease obligations <i>(note 11)</i>	177,052	237,144
Long-term debt <i>(note 12)</i>	1,299,255	1,390,354
Total liabilities	4,695,743	4,703,514
Net assets:		
Unrestricted:		
Available for programs and general operations	3,290,677	2,878,911
Designated by Board for long-term investment <i>(note 14)</i>	6,500,156	4,828,924
Cumulative endowment losses <i>(note 14)</i>	-	(62,062)
Net investment in capital assets	6,119,403	5,357,253
Total unrestricted	15,910,236	13,003,026
Temporarily restricted <i>(note 14)</i>	2,584,144	2,487,918
Permanently restricted <i>(note 14)</i>	1,934,082	1,821,026
Total net assets	20,428,462	17,311,970
Commitments and contingencies <i>(notes 13, 17, 18, 19, 20, and 21)</i>		
Total liabilities and net assets	\$ 25,124,205	22,015,484

See accompanying notes to consolidated financial statements.

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011			Total	2010
	Unrestricted	Temporarily restricted	Permanently restricted		
Revenues, gains, and other support:					
Contract service fees	\$ 36,234,987	–	–	36,234,987	36,733,286
Grants and contributions	1,661,798	241,980	38,177	1,941,955	2,108,804
Special events, net of direct costs of \$362,128 in 2011 and \$255,337 in 2010	403,666	–	71,186	474,852	376,534
Sales, net of cost of sales of \$108,282 in 2011 and \$116,790 in 2010	420,755	–	–	420,755	436,042
Investment income	82,968	43,656	1,046	127,670	55,301
Net appreciation in the fair value of investments	663,520	272,425	8,194	944,139	309,611
Increase in the beneficial interest in assets held by the Oregon Community Foundation (<i>note 7</i>)	23,253	–	–	23,253	10,672
Increase (decrease) in the carrying value of contributions receivable from charitable remainder unitrusts	205,482	(55,008)	–	150,474	638,189
Net change in the actuarial value of charitable gift annuity agreements	(6,801)	–	(5,547)	(12,348)	(12,302)
Net loss on disposal of assets	(142,913)	–	–	(142,913)	(186,006)
Other	752,329	–	–	752,329	347,201
Total revenues and gains	40,299,044	503,053	113,056	40,915,153	40,817,332
Net assets released from restrictions (<i>note 15</i>)	406,827	(406,827)	–	–	–
Total revenues, gains, and other support	40,705,871	96,226	113,056	40,915,153	40,817,332
Expenses (<i>note 16</i>):					
Program services	34,208,250	–	–	34,208,250	34,227,369
Management and general	2,773,590	–	–	2,773,590	2,650,257
Resource development	459,741	–	–	459,741	465,270
Volunteer managed businesses	357,080	–	–	357,080	365,864
Total expenses	37,798,661	–	–	37,798,661	37,708,760
Increase in net assets	2,907,210	96,226	113,056	3,116,492	3,108,572
Net assets at beginning of year	13,003,026	2,487,918	1,821,026	17,311,970	14,203,398
Net assets at end of year	\$ 15,910,236	2,584,144	1,934,082	20,428,462	17,311,970

See accompanying notes to consolidated financial statements.

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011				Total	2010
	Program services	Management and general	Resource development	Volunteer managed businesses		
Salaries and related costs	\$ 26,252,823	2,090,730	279,607	175,809	28,798,969	27,958,619
Clinical and other contract labor	807,743	9,949	—	—	817,692	1,107,068
Foster and respite fees	1,242,706	—	—	—	1,242,706	1,350,501
Legal and professional fees	169,163	63,012	463	—	232,638	529,217
Liability insurance	106,840	24,228	468	471	132,007	132,059
Program supplies	1,016,662	2,046	—	8,971	1,027,679	1,074,397
Office supplies	173,026	100,116	950	8,845	282,937	254,886
Telecommunications and information systems	423,299	68,939	1,704	541	494,483	534,826
Facilities	2,276,433	71,826	6,505	89,273	2,444,037	2,356,501
Equipment costs	87,821	7,423	1,303	12,649	109,196	149,128
Vehicle expense	544,504	4,993	260	—	549,757	563,715
Public relations and fundraising	6,454	248,560	153,256	10,566	418,836	518,577
Interest	83,906	2,070	—	—	85,976	104,782
Other	132,575	50,524	8,732	18,949	210,780	226,212
Total expenses before depreciation and amortization	33,323,955	2,744,416	453,248	326,074	36,847,693	36,860,488
Depreciation and amortization	884,295	29,174	6,493	31,006	950,968	848,272
Total expenses	\$ 34,208,250	2,773,590	459,741	357,080	37,798,661	37,708,760

See accompanying notes to consolidated financial statements.

ALBERTINA KERR CENTERS

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011	2010
Cash flows from operating activities:		
Cash received from contractors, grantors, contributors, and others	\$ 38,472,909	40,396,740
Cash received upon the termination of a charitable trust	2,970,417	–
Cash received from sales of associated businesses	529,037	552,832
Investment income received	127,670	55,301
Cash paid to employees and suppliers	(36,570,012)	(36,409,800)
Interest paid	(85,976)	(104,782)
Net cash provided by operating activities	5,444,045	4,490,291
Cash flows from investing activities:		
Capital expenditures	(1,479,911)	(941,228)
Cash proceeds received on the sale of assets	19,840	–
Cash proceeds received on the sale of investments	174,164	88,919
Purchases of investments	(3,101,922)	(525,812)
Reinvestment of investment income	(127,663)	(55,164)
Net cash used in investing activities	(4,515,492)	(1,433,285)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital acquisition and long-term investment	225,078	447,733
Distributions to charitable gift annuity beneficiaries	(16,155)	(16,412)
Principal reductions of long-term debt	(214,999)	(80,774)
Payments made on capital lease obligations	(60,092)	(325,748)
Net cash provided by (used in) financing activities	(66,168)	24,799
Net increase in cash and cash equivalents	862,385	3,081,805
Cash and cash equivalents at beginning of year	4,216,666	1,134,861
Cash and cash equivalents at end of year	\$ 5,079,051	4,216,666
Supplemental schedule of noncash investing and financing activities		
Capital assets financed through the issuance of long-term notes (<i>note 12</i>)	\$ 123,900	–
Capital assets financed through capital lease obligations	–	150,440
	\$ 123,900	150,440

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

1. Organization

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

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

2. Summary of Significant Accounting Policies

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

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

Principles of Consolidation – The accompanying financial statements include the accounts of Albertina Kerr Centers; the Albertina Kerr Centers Foundation (the “Foundation”); Kerr Bikes, LLC;

and The Old Kerr Nursery Association (“TOKNA”), a voluntary association that operates Albertina’s restaurant, the Kerr Gift Shop, and Kerr’s Economy Jar and Annex for the benefit of the organization’s programs. All significant interorganizational investments, accounts, and transactions have been eliminated.

Basis of Presentation – The organization has adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 958-605, *Revenue Recognition* and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the organization and/or the passage of time. These balances represent the unexpended portion of externally restricted contributions and investment return to be used for specific programs and activities as directed by the donor.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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

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

Investments – Investments are carried at fair value. Net appreciation (decline) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is reported in the statement of activities. Interest income is accrued as earned, and is presented net of investment advisory fees (totaling \$8,595 for the year ended June 30, 2011).

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

Capital Assets and Depreciation – Generally, property and equipment with a carrying value of \$3,000 or more are capitalized and reported at cost when purchased, and at market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 40 years for buildings, 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. If this review indicates that capital assets may not be recoverable, the organization reviews the expected undiscounted future net operating cash flows from the use of these assets. If such assets are considered to be impaired, the impairment in value is recognized as a charge in the statement of activities. The impairment charge is the difference between the carrying amount of the capital assets and its fair value. As of June 30, 2011, 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, 2011.

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

Endowment Funds and Interpretation of

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

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

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

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

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

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

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

To meet that objective, the organization's policies limit the spending of investment income and appreciation to a maximum of 7.0% of the market value of such investments calculated on March 31 of the preceding year. During the year ended June 30, 2011, the organization's Board of Directors appropriated \$45,762 from donor-restricted endowment funds in accordance with this policy. In addition, the organization's Board of Directors authorized the appropriation of \$262,709 from Board-designated endowment funds to help cover the costs of some non-recurring operating expenses, and fundraising budget shortfalls.

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

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released over the period of the asset's intended useful life.

In-Kind Contributions – The organization receives contributed services from a large number of volunteers who assist in fundraising efforts through their participation in a range of businesses and activities. In accordance with FASB ASC No. 958-605, *Revenue Recognition*, the values of such services, which the organization considers not practicable to estimate, have not been recognized in the statement of activities. Significant services received which create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not

donated are recognized in the statement of activities. During the year ended June 30, 2011, the organization recorded \$68,516 of donated program related services, and \$34,122 in donated services for special events.

In-kind contributions of equipment, other capital assets and materials, as well as the free use of facilities, are recorded where there is an objective basis upon which to value these contributions and where the contributions are an integral part of the organization's activities. During the year ended June 30, 2011, the organization recorded \$22,750 in contributions of capital assets, \$124,602 in in-kind contributions of program goods and materials, and \$104,702 in donated materials for special events. In addition, the organization reported \$6,350 in in-kind contributions associated with the use of program facilities at discounted rates, and \$96,463 in the free use of meeting facilities for special events.

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

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

Benefits Provided to Donors at Special Events – The organization conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective 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.

Concentrations of Credit Risk – The organization’s investments consist primarily of financial instruments, including cash equivalents, mutual funds, and similar interests, as well as an interest in assets held by the Oregon Community Foundation (“OCF”). These financial instruments may subject the organization to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”), the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All interest bearing checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 per depositor, per insured bank, for each account ownership category. In addition, Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides depositors with temporary unlimited coverage for noninterest-bearing transaction accounts. This unlimited protection became effective on December 31, 2010 and terminates on December 31, 2012.

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

For tax purposes, the Albertina Kerr Centers’ and the Albertina Kerr Centers Foundation’s open audit periods are for the years ended June 30, 2008 through 2010.

The organization has adopted the recognition requirements for uncertain income tax positions as required by FASB ASC No. 740-10, *Income Taxes*. Under this standard, income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

Subsequent Events – As required by FASB ASC No. 855-10, *Subsequent Events*, subsequent events have been evaluated by management through November 8, 2011, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2010 – The accompanying financial information as of and for the year ended June 30, 2010, 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, 2011, the organization incurred program service expenses in the following major categories:

Adult Group Homes – Twenty-eight community-based residential homes offer 24-hour support and individual growth opportunities to adults with developmental disabilities.

Community Inclusion – This program for people with developmental disabilities gives them the opportunity to participate in the workforce, join in activities, and pursue hobbies that enrich their lives, leading to increased independence and community involvement.

Crisis Psychiatric Care – This program makes available short-term, residential care (usually less than two weeks) and 24-hour access to mental health professionals for children with urgent mental health crises. Kerr works to stabilize children in crisis, provide effective mental health treatment, and ultimately return the child to his or her home, or a less intense level of care.

Early Childhood Outpatient Services – Offering assistance to pre-school children with behavioral challenges and their families, the focus of this program is developing skills to promote a child's success and safety, preparing him or her to enter kindergarten ready to learn in local community schools. Supporters of this program include the Portland Children's Levy.

Intensive Community-Based Treatment – Services are available for children age 3 to 17 who are at risk of being unable to stay in their home or in school due to mental health challenges. In addition to help building connections within the community to develop long-term stability, the family receives home-based therapy, skills training, and a 24-hour helpline.

Family Resource Center – The Family Resource Center offers a place for families in our community raising a child with mental health and behavioral challenges to find support, answers to questions, and gather for activities and events.

Foster Care – Safe and caring homes for foster children with mental health challenges as well as developmental disabilities. Parents receive extensive training and 24-hour support.

Intensive Treatment Program – A safe and secure treatment program is available to youth with developmental disabilities, many of whom also have mental health challenges. This program is the only one of its kind in Oregon.

Outpatient Services – Provided in community settings, including homes, schools, and other locations, this program offers mental health services for children, youth, and their families.

Supported Living – This support system for adults with developmental disabilities provides opportunities to create their own living situation based on their needs and goals.

Youth Group Homes – Fifteen group homes provide around-the-clock support and life skills training for youth age 7 to 18 who have developmental disabilities and mental health challenges that require specialized care and treatment.

4. Accounts Receivable

At June 30, 2011, the organization reported outstanding receivables as follows:

Program service fees receivable	\$	774,363
Contract payments receivable		587,474
Other		329,567
		<hr/>
		1,691,404
Less allowance for uncollectible receivables		(54,857)
		<hr/>
	\$	1,636,547

5. Contributions Receivable

Contributions receivable at June 30, 2011 represent unconditional promises expected to be collected in less than one year, as follows:

Donor-restricted endowment	\$	86,795
Support of general programs and operations		60,233
		<hr/> 147,028
Less allowance for uncollectible receivables		(5,000)
	\$	<hr/> 142,028

6. Investments

Investments, which are carried at fair value, consist of the following at June 30, 2011:

Equity mutual funds	\$	4,492,423
Fixed income mutual funds		2,148,112
Emerging markets funds		505,648
		<hr/> 7,146,183
Plus money market funds, sweep options, and other cash equivalents		641,532
	\$	<hr/> 7,787,715

Investments are held for the following purposes:

Donor-restricted endowment	\$	1,852,287
Unappropriated endowment earnings		296,197
Other		5,639,231
	\$	<hr/> 7,787,715

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

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

Changes in the organization’s beneficial interest in these funds for the year ended June 30, 2011 are summarized as follows:

Balance at beginning of year	\$	113,054
Increase in the beneficial interest in assets held by the Oregon Community Foundation 1		23,253
		<hr/> Balance at end of year
	\$	136,307

¹ 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, 2011, there were no distributions to the organization.

8. Contributions Receivable from Charitable Remainder Unitrusts

The organization has been named the beneficiary of several irrevocable charitable remainder unitrusts. The current beneficiaries of the trusts receive a percentage each year of the net fair market value of the assets of the trusts, valued annually. Upon the deaths of the beneficiaries, the organization will receive either a percentage or all of the remaining assets of the trusts. A contribution receivable of \$343,600 was recorded at June 30, 2011, representing the actuarially determined present value of the estimated future cash flows that will inure to the organization, using a discount rate of 6.0%.

In addition, at June 30, 2011 the organization held a \$40,000 remainder interest in a charitable trust for which the last living beneficiary passed away in June of 2010. Accordingly, the organization interest in the trust has been adjusted to reflect the current fair value of the assets held in trust.

9. Land, Buildings, Equipment, and Property Rights

A summary of land, buildings, equipment, and property rights at June 30, 2011 is as follows:

Land	\$ 563,678
Buildings	9,683,785
Improvements	3,144,854
Furniture and equipment	1,943,116
Vehicles	1,579,648
Property rights	141,627
Construction in-progress	61,546
	17,118,254
Less accumulated depreciation and amortization	(7,616,418)
	\$ 9,501,836

10. Other Liabilities

At June 30, 2011, the following summarizes the organization's other liabilities:

Funds held on behalf of others	\$ 141,618
Liabilities associated with charitable gift annuities ¹	70,972
	\$ 212,590

¹ Included in the organization's investment balances at June 30, 2011 are \$132,915 in assets invested in mutual funds associated with six charitable gift annuities held at June 30, 2011. 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, 2011, the organization recorded a liability for these charitable gift annuities, representing the actuarially determined present value of the estimated future payments to be made to the beneficiaries using discount rates ranging from 2.5% to 10.0%. The liability recorded at June 30, 2011 totaled \$70,972.

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, 2011 totaled \$70,972.

11. Capital Lease Obligations

The organization leases certain vehicles under capital leases expiring between October of 2012 and April of 2015. The assets and related liabilities under these leases have been recorded at the present value of the minimum lease payments. Leased assets with a carrying value of \$292,088 are depreciated over the estimated useful life of the assets. Accumulated depreciation on these assets at June 30, 2011 totaled \$126,907.

Minimum future lease payments under these capital leases, as of June 30, 2011, are as follows:

<i>Years ending June 30,</i>	
2012	\$ 68,664
2013	62,472
2014	51,929
2015	15,665
	198,730
Less unamortized interest	(21,678)
	Present value of net minimum lease payments
	\$ 177,052

12. Long-Term Debt

The acquisition and rehabilitation of the organization's properties include costs financed through loans received from various parties. The following obligations, all secured by property and associated trust deeds unless noted otherwise, were outstanding at June 30, 2011:

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

\$ 45,081

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

a straight-line basis over the life of the loan. Interest and principal are due in monthly payments of \$2,571 through November of 2017.

184,777

Bank of America. \$123,900 to acquire the Appaloosa group home in Salem, Oregon. Interest is at 4.99%. Interest and principal are due in monthly payments of \$822 through August of 2025.

122,075

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

847,322

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

100,000

\$ 1,299,255

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

The loan is secured by certain real property. In addition, to ensure an additional measure of liquidity on both this loan and the organization's line of credit (see note 13), the loan agreement with Bank of America requires that the Albertina Kerr Centers Foundation, a separately incorporated entity that supports Albertina Kerr Centers, guarantee the loan by maintaining a minimum of unrestricted, unencumbered liquid assets in an amount equal to the amount of the outstanding liability.

Continued

Obligations for future payments of principal are summarized as follows:

<i>Years ending June 30,</i>	
2012	\$ 81,481
2013	79,447
2014	177,594
2015	75,501
2016	174,050
Thereafter	711,182
	\$ 1,299,255

13. Line of Credit

At June 30, 2011, the organization had available a line of credit in the amount of \$1.0 million, secured by receivables, inventory, and equipment. Interest is based on the British Bankers' Association London Interbank Offered Rate ("BBA LIBOR") rate (adjusted daily) plus 2.0%. Borrowings are payable in full on December 31, 2011. Any balances drawn on the line are also guaranteed by the Albertina Kerr Centers Foundation, and require maintenance of a consolidated debt service coverage ratio of at least 1.25:1.0 and consolidated, unrestricted, unencumbered liquid assets in an amount not less than the amount outstanding. At June 30, 2011, the organization was in compliance with these covenants. No balances were outstanding under this arrangement at June 30, 2011.

14. Restrictions and Limitations on Net Asset Balances

Board-Designated Net Assets

At June 30, 2011, \$6,500,156 had been designated by the Board of Directors for endowment purposes.

Temporarily Restricted Net Assets

Temporarily restricted net assets held at June 30, 2011 represent \$2,584,144 in contributions, grants, and other unexpended revenues and gains available for specific program purposes and future periods, as follows:

<i>Unexpended cash:</i>	
Wraparound program	\$ 9,268
Other	28,953
	38,221

Net investment in capital assets to be amortized:

Group home properties	1,155,029
Information technology software	116,860
Building repairs and other building projects and investments	634,237
	1,906,126

Charitable remainder unitrusts:

Contributions receivable from charitable remainder unitrusts (see note 8)	343,600
	343,600

Other:

Purpose unrestricted endowment earnings	120,535
Chaplaincy unexpended endowment earnings	101,960
Landmark Preservation Fund – unexpended endowment earnings	73,702
	296,197

Total	\$ 2,584,144
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Continued

Permanently Restricted Net Assets

At June 30, 2011, the organization held \$1,934,082 in endowment funds. The investment income earned on the investment of these permanently restricted net assets is either restricted or unrestricted as follows:

Income unrestricted	\$ 1,033,631
Income restricted for:	
Landmark Preservation Fund – improvements to the Old Kerr Nursery Association building	237,015
Chaplaincy program	663,436
	<hr/>
	\$ 1,934,082

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

The following summarizes the organization's endowment-related activities for the year ended June 30, 2011:

	<u>Donor-restricted endowment</u>			<u>Total</u>	<u>Board designated endowment unrestricted</u>	<u>Total endowment</u>
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>			
Endowment net assets at beginning of year	\$ (62,062)	25,878	1,821,026	1,784,842	4,828,924	6,613,766
Grants and contributions	–	–	109,363	109,363	1,027,591	1,136,954
Investment return	62,062	316,081	9,240	387,383	707,669	1,095,052
Increase in the carrying value of contributions receivable from charitable remainder unitrusts	–	–	–	–	205,482	205,482
Net change in the actuarial value of charitable gift annuity agreements	–	–	(5,547)	(5,547)	(6,801)	(12,348)
Appropriation of endowment assets for expenditure	–	(45,762)	–	(45,762)	(262,709)	(308,471)
Endowment net assets at end of year	\$ –	296,197	1,934,082	2,230,279	6,500,156	8,730,735

15. Net Assets Released from Restrictions

During the year ended June 30, 2011, the organization incurred \$406,827 in expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restrictions by the occurrence of other events. Accordingly, a corresponding amount has been reported as a reclassification from temporarily restricted net assets to unrestricted net assets in the accompanying statement of activities.

16. Expenses

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

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

17. Employee Retirement Plans

The organization sponsors a defined contribution retirement savings plan covering substantially all employees who have completed one year of service with the organization and greater than 1,000 hours worked. The plan was established under Section 401(k) of the Internal Revenue Code, with the organization matching employee contributions in the amount of 100% of the first 3.0% of salary deferred and contributed to the plan by the employee, and 50% of the next 2.0% of salary deferred and contributed to the plan by the employee. The plan also includes an additional discretionary employer contribution component, whereby the organization may contribute to the plan a discretionary amount to each eligible employee on an annual basis.

The organization adopted a new prototype plan document, effective January 1, 2011. During the year ended June 30, 2011, the organization contributed \$185,668 as a part of the plan's matching component described above and \$5,128 in discretionary contributions were made to the plan.

18. Contingencies

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

19. Self-Insurance Programs

The organization is self-insured for unemployment claims. The estimated liability for such claims is based upon management's estimate as of June 30, 2011, 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, 2011.

Changes in the reported liability for self-insured unemployment claims during the year ended June 30, 2011 resulted from the following:

Liability at beginning of year	\$	347,275
Current year claims		470,220
Current year change in estimates		164,415
Claim payments		(417,398)
<hr/>		
Liability at end of year	\$	564,512

20. Operating Lease Commitments

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

At June 30, 2011, the approximate minimum rental commitments under these leases are as follows:

<i>Years ending June 30,</i>	
2012	\$ 715,978
2013	586,248
2014	458,245
2015	237,288
	<hr/>
	\$ 1,997,759

Rent expense for the year ended June 30, 2011 totaled \$516,621, including \$6,350 in donated use of facilities. Equipment lease costs totaled \$145,977.

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 by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At June 30, 2011, the following financial assets are measured at fair value on a recurring basis:

	Level 1	Level 3	Total
Investments (see note 6):			
Equity mutual funds:			
Large cap domestic	\$ 2,047,047	–	2,047,047
Mid cap domestic	931,007	–	931,007
Small cap domestic	494,108	–	494,108
Foreign large cap	752,025	–	752,025
Commodities broad basket	268,236	–	268,236
Total equity mutual funds	4,492,423	–	4,492,423
Fixed income mutual funds:			
Intermediate term bond	673,229	–	673,229
Inflation protected bond	360,511	–	360,511
Short-term bond	1,068,824	–	1,068,824
Government bond	45,548	–	45,548
Fixed income mutual funds	2,148,112	–	2,148,112
Emerging markets funds	505,648	–	505,648
Total investments	7,146,183	–	7,146,183
Beneficial interest in assets held by the Oregon Community Foundation (note 7)	–	136,307	136,307
Contributions receivable from charitable remainder unitrusts (note 8)	–	383,600	383,600
	\$ 7,146,183	519,907	7,666,090

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	\$ 113,054	3,203,543	3,316,597
Increase in the beneficial interest in assets held by the Oregon Community Foundation	23,253	–	23,253
Distribution received from termination of charitable remainder unitrust	–	(2,970,417)	(2,970,417)
Increase in the carrying value of contributions receivable from charitable remainder unitrusts	–	150,474	150,474
Fair value at end of year	\$ 136,307	383,600	519,907
	[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 increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 3,116,492
<hr/>	
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	935,028
Amortization of property rights	11,802
Amortization of fees	4,138
Net appreciation in the fair value of investments	(944,139)
Increase in the beneficial interest in assets held by the Oregon Community Foundation	(23,253)
Increase in the carrying value of contributions receivable from charitable remainder unitrusts	(150,474)
Net change in the actuarial value of charitable gift annuity agreements	12,348
Net loss on disposal of capital assets	142,913
Contributions restricted for capital acquisition and long-term investment	(225,078)
In-kind contribution of capital assets	(22,750)
<i>Net changes in:</i>	
Accounts receivable	(524,096)
Contributions receivable	31,110
Prepaid expenses, deposits, and other current assets	11,959
Contribution receivable from charitable remainder unitrusts	2,970,417
Other long-term assets	(49,599)
Accounts payable and accrued expenses	59,564
Accrued payroll liabilities	145,688
Deferred revenues and amounts refundable to grantors	(68,174)
Other liabilities	10,149
<hr/>	
Total adjustments	2,327,553
<hr/>	
Net cash provided by operating activities	\$ 5,444,045
<hr/>	



ALBERTINA KERR CENTERS

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2011

(WITH COMPARATIVE AMOUNTS FOR 2010)

	2011				Total	2010
	Albertina Kerr Centers	Kerr Bikes, LLC	Albertina Kerr Centers Foundation	Consoli- dating elimination entries		
Assets:						
Cash and cash equivalents	\$ 4,767,857	130,854	180,340	—	5,079,051	4,216,666
Accounts receivable	1,636,547	—	—	—	1,636,547	1,112,451
Contributions receivable	35,739	—	106,289	—	142,028	173,138
Prepaid expenses, deposits, and other current assets	322,461	15,678	43,691	—	381,830	397,927
Investments	132,915	—	7,654,800	—	7,787,715	3,788,155
Beneficial interest in assets held by the Oregon Community Foundation	—	—	136,307	—	136,307	113,054
Beneficial interest in Albertina Kerr Centers Foundation	9,240,113	—	—	(9,240,113)	—	—
Contributions receivable from charitable remainder unitrusts	—	—	383,600	—	383,600	3,203,543
Other long-term assets	—	—	75,291	—	75,291	25,692
Land, buildings, equipment, and property rights	9,412,689	58,248	30,899	—	9,501,836	8,984,858
Intraorganizational receivable (payable)	(575,056)	(101,809)	676,865	—	—	—
Total assets	\$ 24,973,265	102,971	9,288,082	(9,240,113)	25,124,205	22,015,484
Liabilities:						
Accounts payable and accrued expenses	596,927	2,971	5,423	—	605,321	545,757
Accrued payroll liabilities	2,352,836	—	—	—	2,352,836	2,207,148
Deferred revenues and amounts refundable to grantors	6,143	—	42,546	—	48,689	116,863
Other liabilities	212,590	—	—	—	212,590	206,248
Capital lease obligations	177,052	—	—	—	177,052	237,144
Long-term debt	1,199,255	100,000	—	—	1,299,255	1,390,354
Total liabilities	4,544,803	102,971	47,969	—	4,695,743	4,703,514
Net assets:						
Unrestricted	18,472,223	—	6,678,126	(9,240,113)	15,910,236	13,003,026
Temporarily restricted	1,933,695	—	650,449	—	2,584,144	2,487,918
Permanently restricted	22,544	—	1,911,538	—	1,934,082	1,821,026
Total net assets	20,428,462	—	9,240,113	(9,240,113)	20,428,462	17,311,970
Total liabilities and net assets	\$ 24,973,265	102,971	9,288,082	(9,240,113)	25,124,205	22,015,484

ALBERTINA KERR CENTERS

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011				Total	2010
	Albertina Kerr Centers	Kerr Bikes, LLC	Albertina Kerr Centers Foundation	Consoli- dating elimination entries		
Revenues, gains, and other support:						
Contract service fees	\$ 36,234,987	–	–	–	36,234,987	36,733,286
Grants and contributions	1,078,049	9,950	1,649,905	(795,949)	1,941,955	2,108,804
Special events, net	–	–	474,852	–	474,852	376,534
Sales, net	–	–	420,755	–	420,755	436,042
Investment income	2,670	–	125,000	–	127,670	55,301
Net appreciation in the fair value of investments	20,838	–	923,301	–	944,139	309,611
Increase in the beneficial interest in assets held by the Oregon Community Foundation	–	–	23,253	–	23,253	10,672
Increase in the fair value of contributions receivable from charitable remainder unitrusts	–	–	150,474	–	150,474	638,189
Net change in the actuarial value of charitable gift annuity agreements	(12,348)	–	–	–	(12,348)	(12,302)
Net loss on disposal of assets	(142,913)	–	–	–	(142,913)	(186,006)
Other	605,528	146,435	366	–	752,329	347,201
Net change in beneficial interest in Albertina Kerr Centers Foundation	2,047,436	–	–	(2,047,436)	–	–
Total revenues, gains, and other support	39,834,247	156,385	3,767,906	(2,843,385)	40,915,153	40,817,332
Expenses:						
Program services	34,051,865	156,385	–	–	34,208,250	34,227,369
Management and general	2,665,890	–	107,700	–	2,773,590	2,650,257
Resource development	–	–	459,741	–	459,741	465,270
Volunteer managed businesses	–	–	357,080	–	357,080	365,864
Grants to Albertina Kerr Centers and Kerr Bikes, LLC	–	–	795,949	(795,949)	–	–
Total expenses	36,717,755	156,385	1,720,470	(795,949)	37,798,661	37,708,760
Increase (decrease) in net assets	3,116,492	–	2,047,436	(2,047,436)	3,116,492	3,108,572
Net assets at beginning of year	17,311,970	–	7,192,677	(7,192,677)	17,311,970	14,203,398
Net assets at end of year	\$ 20,428,462	–	9,240,113	(9,240,113)	20,428,462	17,311,970

GOVERNING BOARD AND MANAGEMENT

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Northwest Permanente*

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Peter Bhatia
Christine Brown, JD
Marsha Buono
Jean C. Cory
Andy Dignan
Helen H. Lindgren
Robert Mesher, CPA
Greg Mottau
Victor Stibolt, JD
Ken Thrasher
Bill Ulrich
Connie West

Corporate Officers

Christopher Krenk, *President*
Barbara Farringer, *Secretary*
Jerry Hoffert, *Treasurer*

Management

Christopher J. Krenk *President & Chief Executive
Officer*

Jeanne Farr *Senior Vice President
Developmental Disability Services*

Gina Brimmer *Vice President
Youth & Family Services*

Doug Butler *Vice President
Facilities*

Jerry Hoffert, MBA *Chief Financial Officer*

Jodi Lippert *Vice President & Chief
Development Officer*

Craig Rusch *Vice President & Chief
Information Officer*

Susan Stanley *Vice President of Human
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ALBERTINA KERR CENTERS

INQUIRIES AND OTHER INFORMATION

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