

**EPISCOPAL LAYMEN'S  
MISSION SOCIETY  
dba WILLIAM TEMPLE HOUSE**

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**Audited Financial  
Statements**

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**For the Year Ended  
September 30, 2011**



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

*Jake Jacobs, CPA*

*Susan J. Marks, CPA*

*Mark A. Clift, CPA*

*Karin S. Wandtke, CPA*

*Sang Ahn, CPA*

*Jill Oswald  
Principal*

*Dennis C. Johnson, CPA  
of counsel*

*James R. McDonald, CPA  
of counsel*

The Board of Directors  
Episcopal Laymen's Mission Society  
dba William Temple House  
Portland, Oregon

We have audited the accompanying statement of financial position of Episcopal Laymen's Mission Society dba William Temple House (a nonprofit corporation) (the Organization) as of September 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Organization's 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 financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Laymen's Mission Society dba William Temple House as of September 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 of America.

*McDonald Jacobs, P.C.*

January 18, 2012

*Strength in Numbers*

ACCOUNTANTS & CONSULTANTS

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**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2011**

**ASSETS**

Cash and cash equivalents	\$ 255,065
Prepaid expenses	13,035
Inventory	55,986
Investments	778,181
Assets held in charitable trust	111,850
Property and equipment, net	<u>937,274</u>
 TOTAL ASSETS	 <u><u>\$ 2,151,391</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 28,758
Accrued expenses	50,420
Liability under charitable trust	<u>39,762</u>
 Total liabilities	 <u>118,940</u>
 Net assets:	
Unrestricted:	
Undesignated	181,120
Board designated	564,685
Net property and equipment	<u>937,274</u>
Total unrestricted	1,683,079
Temporarily restricted	165,594
Permanently restricted	<u>183,778</u>
Total net assets	<u>2,032,451</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,151,391</u></u>

See notes to financial statements.

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue:</b>				
Thrift store sales	\$ 617,306	\$ -	\$ -	\$ 617,306
In-kind donation of goods	592,763	-	-	592,763
Less costs and expenses	<u>(617,306)</u>	<u>-</u>	<u>-</u>	<u>(617,306)</u>
Net sales of donated merchandise	592,763	-	-	592,763
Contributions	635,230	48,442	-	683,672
Donated materials and services	447,003	-	-	447,003
Program service revenue	30,164	-	-	30,164
Special event revenue, net of direct costs of \$13,331	94,702	-	-	94,702
Investment loss	(42,792)	(20,240)	-	(63,032)
Change in value of charitable trust liability	-	7,344	-	7,344
Other income	177	-	-	177
Net assets released from restrictions:				-
Satisfaction of purpose restrictions	<u>31,517</u>	<u>(31,517)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,788,764</u>	<u>4,029</u>	<u>-</u>	<u>1,792,793</u>
<b>Expenses:</b>				
Program services	1,156,309	-	-	1,156,309
Administration	147,082	-	-	147,082
Fundraising	<u>116,700</u>	<u>-</u>	<u>-</u>	<u>116,700</u>
Total expenses	<u>1,420,091</u>	<u>-</u>	<u>-</u>	<u>1,420,091</u>
Change in net assets	368,673	4,029	-	372,702
<b>Net assets:</b>				
Beginning of year	<u>1,314,406</u>	<u>161,565</u>	<u>183,778</u>	<u>1,659,749</u>
End of year	<u>\$ 1,683,079</u>	<u>\$ 165,594</u>	<u>\$ 183,778</u>	<u>\$ 2,032,451</u>

See notes to financial statements.

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended September 30, 2011**

	Program Services			Supporting Services			
	Social Services	Counseling	Thrift Store	Program Services	Admin-istration	Fundraising	Total
Salaries and payroll taxes	\$ 51,943	\$ 86,582	\$ 233,640	\$ 372,165	\$ 56,368	\$ 63,474	\$ 492,007
Employee benefits	6,400	15,982	53,309	75,691	7,013	6,526	89,230
Professional fees	1,926	326,325	6,622	334,873	26,762	3,147	364,782
Direct assistance	185,888	-	-	185,888	-	-	185,888
Telephone	8,209	5,973	2,853	17,035	4,435	2,478	23,948
Utilities	13,534	10,188	18,417	42,139	2,436	2,436	47,011
Repairs and maintenance	13,764	7,037	21,288	42,089	1,838	1,786	45,713
Equipment rental	6,243	4,984	758	11,985	5,256	2,331	19,572
Insurance	2,531	3,990	9,527	16,048	8,861	3,361	28,270
Security	2,124	1,647	1,218	4,989	2,114	454	7,557
Supplies	2,092	3,409	2,944	8,445	7,681	11,994	28,120
Printing and publications	165	1,583	325	2,073	56	8,750	10,879
Postage	176	250	-	426	552	1,596	2,574
Travel, entertainment and training	849	725	475	2,049	1,305	-	3,354
Membership and subscriptions	176	73	232	481	1,127	17	1,625
Financial fees	-	-	8,352	8,352	4,302	1,983	14,637
Depreciation and amortization	5,635	7,733	18,213	31,581	16,976	6,367	54,924
Thrift store cost of sales	-	-	617,306	617,306	-	-	617,306
	301,655	476,481	995,479	1,773,615	147,082	116,700	2,037,397
Less expenses deducted directly from revenue	-	-	(617,306)	(617,306)	-	-	(617,306)
Total expenses	\$ 301,655	\$ 476,481	\$ 378,173	\$ 1,156,309	\$ 147,082	\$ 116,700	\$ 1,420,091

See notes to financial statements.

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**STATEMENT OF CASH FLOWS**  
**For the year ended September 30, 2011**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 372,702
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	54,924
In-kind inventory distributed	6,082
Net realized/unrealized loss on investments	73,073
Change in value of charitable trust liability	(7,344)
(Increase) decrease in:	
Accounts receivable	6,763
Prepaid expenses	(4,447)
Increase (decrease) in:	
Accounts payable and accrued expenses	15,881
Net cash provided by operating activities	<u>517,634</u>
<b>Cash flows from investing activities:</b>	
Purchase of property and equipment	(34,624)
Proceeds from the sale of investments	60,046
Purchase of investments	<u>(470,769)</u>
Net cash used in investing activities	<u>(445,347)</u>
<b>Cash flows from financing activities:</b>	
Repayments on short-term debt	<u>(4,130)</u>
Net cash used in financing activities	<u>(4,130)</u>
Net increase in cash and cash equivalents	68,157
Cash and cash equivalents - beginning of year	<u>186,908</u>
Cash and cash equivalents - end of year	<u><u>\$ 255,065</u></u>

See notes to financial statements.

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

**1. NATURE OF ACTIVITIES**

Episcopal Laymen's Mission Society dba William Temple House (the Organization) was founded in 1965 as a mental health counseling and pastoral care agency providing services to working poor individuals and families in northwest Portland, Oregon. With the founders recognizing a need for emergency assistance, the Organization soon expanded to provide emergency food, clothing and similar assistance.

Today, the Organization provides mental health counseling, same-day emergency food and other assistance, and pastoral care to more than 14,000 working poor individuals and families each year from its headquarters in Northwest Portland and through partnerships in East Portland, Hillsboro and Milwaukie.

- East Site – Staffed by volunteers from Saints Peter and Paul Episcopal Church in East Portland, William Temple House East partners with Medical Teams International to offer free dental care to children through a periodic dental van.
- West Site – Staffed by volunteers from All Saints Episcopal Church in Hillsboro, William Temple House West distributes emergency food and meets other basic needs of Washington County working poor individuals and families.
- Milwaukie Site – Partnering with St. John the Evangelist Episcopal Church in Milwaukie, William Temple House Milwaukie wardrobes children with new clothing, including underwear and shoes.

The Organization's programs are as follows:

**Social Services**

The Organization provides food, clothing, medical aid, shelter, financial assistance and other emergency and temporary services to individuals and families in the local community without charge.

**Counseling**

The Organization provides treatment planning, individual and family counseling, educational programs and training. The Organization conducts education and training programs for community organizations, professionals and churches. The Organization also provides pastoral care by a priest, on site, to all who wish it. Pastoral care includes worship services, the sacraments of the church, pastoral counseling, pastoral visits and prayer requests.

EPISCOPAL LAYMEN'S MISSION SOCIETY  
dba WILLIAM TEMPLE HOUSE  
NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2011

1. NATURE OF ACTIVITIES, Continued

**Thrift Store**

The Organization operates a thrift store in the Portland metropolitan area, the net earnings of which support direct services to clients. The store provides work experience and on-the-job training to workers needing assistance entering or re-entering the labor force. The store functions as a clothing and household goods supply center for social service clients.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash and short-term investments held in investment accounts are reported as investments instead of cash because the Organization holds those funds as an endowment.

Inventory

Inventory consisting of donated clothing and household items is stated at fair value.

Investments

Investments are carried at fair value.

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Property and Equipment

Acquisitions of property and equipment in excess of \$150 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years.

Income Tax Status

William Temple House is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization's information returns for years ended September 30, 2007 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Restricted and Unrestricted Revenue and Support

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated assets and services for the year are as follows:

Thrift store donations	\$ 592,763
Donated materials and services:	
Food	129,000
Counseling services, included in program services	297,770
Accounting, legal and professional services, included in administration	<u>20,233</u>
Total donated materials and services	<u>447,003</u>
Total donated assets and services	<u>\$ 1,039,766</u>

Earnings on the Investment of Endowment and Similar Funds

Income, realized net gains, and unrealized net gains on the investment or endowment and similar funds are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- As increases in temporarily restricted net assets until appropriated for expenditure and if the terms of the gift impose restrictions on the use of the income;
- As increases in unrestricted net assets after appropriated for expenditure.

Expense Allocation

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

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Subsequent Events

The Organization has evaluated all subsequent events through January 18, 2012, the date the financial statements were available to be issued.

**3. INVENTORY**

Inventory is stated at fair value and consists of the following at September 30, 2011:

Clothing and accessories	\$ 29,188
Household goods	<u>26,798</u>
Total inventory	<u><u>\$ 55,986</u></u>

**4. INVESTMENTS**

Investments consist of the following at September 30, 2011:

Cash and equivalents	\$ 346,052
Fixed income securities	237,074
Mutual funds	<u>306,905</u>
Total investments	<u><u>\$ 890,031</u></u>

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

**4. INVESTMENTS, Continued**

Investments as reported in the statement of financial position include the following at September 30, 2011:

Investments	\$ 778,181
Assets held in charitable trust	<u>111,850</u>
	<u>\$ 890,031</u>

Investment income consists of:

Interest and dividends	\$ 14,664
Net realized and unrealized losses	(73,073)
Investment expenses	<u>(4,623)</u>
Investment loss, net	<u>\$ (63,032)</u>

**5. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30, 2011:

Land	\$ 187,214
Buildings	1,789,372
Furniture and fixtures	<u>107,818</u>
Total property and equipment	2,084,404
Less accumulated depreciation	<u>1,147,130</u>
Net property and equipment	<u>\$ 937,274</u>

As of September 30, 2011, the Organization has the property and building at 20<sup>th</sup> and Hoyt listed for sale.

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

**6. ASSETS AND LIABILITY HELD IN CHARITABLE TRUST**

The Organization is a beneficiary of a charitable remainder trust. The charitable trust agreement provides for quarterly distributions to the income beneficiary for the life of the beneficiary based on the lesser of the trust income for the prior year or 7% of the current year annual valuation of the trust assets. Upon the death of the income beneficiary, the Organization will receive the corpus of the trust with no donor restrictions.

The assets held in the charitable trust are recorded at fair value and the liability under the charitable trust agreement is adjusted annually to the present value of the estimated future payments calculated using a discount rate of 5.6% and applicable mortality tables.

The fair market value of the trust and the estimated net present value of the future payments to the income beneficiary are as follows:

Assets held in charitable trust	\$ 111,850
Liability under charitable trust	<u>(39,762)</u>
Net trust value	<u>\$ 72,088</u>

**7. BOARD DESIGNATED ASSETS**

Board designated net assets at September 30, 2011 totaled \$564,685 and consist of unrestricted funds held as an endowment for use in future operations. See Note 13 for additional information.

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

**8. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at September 30, 2011 are as follows:

Purpose restricted:	
Counseling	\$ 18,984
Special needs	9,895
Discretionary fund	12,834
Clothes closet	9,691
Dental program	4,237
Parish partners	4,202
Other	<u>3,945</u>
	63,788
Net assets held under charitable trust	72,088
Endowment earnings (Note 13)	<u>29,718</u>
Total temporarily restricted net assets	<u><u>\$ 165,594</u></u>

**9. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of endowment fund assets to be held in perpetuity. The income from the assets can be used to support the Organization's general activities. Unexpended endowment income is reported as temporarily restricted net assets until appropriate for expenditure. See Note 13 for additional information.

**10. LEASE COMMITMENTS**

The Organization leases certain office equipment under operating leases with monthly payments totaling approximately \$1,300 and expiring in June 2012, December 2012 and December 2015.

Total rent expense approximated \$19,600 for the year ended September 30, 2011.

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

**10. LEASE COMMITMENTS, Continued**

Approximate future minimum lease payments under operating leases are as follows:

September 30, 2012	\$ 15,400
2013	12,800
2014	12,600
2015	12,600
2016	<u>3,100</u>
	<u>\$ 56,500</u>

**11. RETIRMENT PLAN**

On January 15, 2002, the Organization established the William Temple House 401(k) Plan, under which eligible employees may elect to contribute up to 50 percent of their annual compensation to the plan subject to statutory limitations. The plan guidelines state that the Organization can make discretionary matching and non-matching contributions to the plan. There were no contributions for the year ended September 30, 2011.

**12. RELATED PARTY DISCLOSURE**

During the year ended September 30, 2011, the Organization purchased capital assets totaling \$7,650 from a company in which a board member's spouse is an owner.

**13. ENDOWMENT**

The Organization's endowment consists of funds established for long-term support of the Organization. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions or Board designations.

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

**13. ENDOWMENT, Continued**

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (the Act or UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment net asset composition by type of fund as of September 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 29,718	\$ 183,778	\$ 213,496
Board-designated	564,685	-	-	564,685
	<u>\$ 564,685</u>	<u>\$ 29,718</u>	<u>\$ 183,778</u>	<u>\$ 778,181</u>

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

**13. ENDOWMENT, Continued**

Changes in endowment net assets for the year ended September 30, 2011 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets -				
September 30, 2010	\$ 206,795	\$ 35,198	\$ 183,778	\$ 425,771
Contributions	445,102	-	-	445,102
Investment loss	(39,744)	(3,910)	-	(43,654)
Investment expenses	(3,053)	(1,570)	-	(4,623)
Appropriated for expenditure	<u>(44,415)</u>	<u>-</u>	<u>-</u>	<u>(44,415)</u>
Endowment net assets -				
September 30, 2011	<u>\$ 564,685</u>	<u>\$ 29,718</u>	<u>\$ 183,778</u>	<u>\$ 778,181</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year up to 5% percent of its endowment fund's accumulated earnings. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 5% percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term.

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

**14. FAIR VALUE MEASUREMENTS**

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at September 30, 2011 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:			
Investments - fixed income securities	\$ 237,074	\$ -	\$ -
Investments - domestic equity mutual funds	209,680	-	-
Investments - international equity mutual funds	97,225	-	-
Liabilities:			
Liability under charitable trust	-	-	(39,762)

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

The liability under charitable trust is determined by calculating the present value of the future distributions to be made using published life expectancy tables and a 5.6% discount rate.

**EPISCOPAL LAYMEN'S MISSION SOCIETY**  
**dba WILLIAM TEMPLE HOUSE**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
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**14. FAIR VALUE MEASUREMENTS, Continued**

Liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Liability under charitable trust:

Balance at beginning of year	\$ (47,106)
Additions	11,004
Distributions to beneficiary	(11,004)
Change in value of remaining obligation (included in temporarily restricted net assets)	7,344
	<u>7,344</u>
Balance at end of year	<u>\$ (39,762)</u>

**15. CONCENTRATIONS, COMMITMENTS AND CONTINGENCIES**

The Organization maintains its cash balances in one financial institution. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Cash balances at September 30, 2011 were fully insured.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

The Organization's operations are primarily in the Portland, Oregon metro area. In addition, there is a concentration of revenues with approximately 52% of total contribution revenue coming from two donors.

William Temple House is in the process of filing certain fiduciary tax returns for previous fiscal years. Any taxes, penalties, and interest associated with these filing were not determined as of the date of this report.