

EPISCOPAL LAYMEN'S MISSION SOCIETY
dba WILLIAM TEMPLE HOUSE

Audited Financial Statements

For the Year Ended September 30, 2015



McDONALD JACOBS



Shareholders

Mark A. Clift, CPA

Jill Oswald

Karin S. Wandtke, CPA

Sang Ahn, CPA

Gerard DeBlois Jr., CPA

Mary Strasdin, CPA

Anthony Almer, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Episcopal Laymen's Mission Society
dba William Temple House

We have audited the accompanying financial statements of Episcopal Laymen's Mission Society, dba William Temple House (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Principals

Jake Jacobs, CPA

Susan J. Marks, CPA

Tyee Carr, CPA

Victor Epstein, CPA

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of William Temple House as of September 30, 2015, and 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.

Report on Summarized Comparative Information

We have previously audited William Temple House's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
January 26, 2016

EPISCOPAL LAYMEN'S MISSION SOCIETY
 dba WILLIAM TEMPLE HOUSE
 STATEMENT OF FINANCIAL POSITION
 September 30, 2015
 (With comparative totals for 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 324,064	\$ 548,228
Contributions receivable	56,098	4,631
Receivable from insurance claim	-	39,825
Prepaid expenses	26,104	23,109
Inventory	74,495	65,054
Investments	1,338,787	1,419,619
Assets held in charitable trust	108,043	123,397
Property and equipment, net	811,275	843,307
 TOTAL ASSETS	 \$ 2,738,866	 \$ 3,067,170
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 35,651	\$ 36,957
Accrued personnel expenses	58,885	59,903
Liability under charitable trust	31,590	37,959
 Total liabilities	 126,126	 134,819
Net assets:		
Unrestricted:		
Undesignated	305,552	478,949
Board designated	1,081,901	1,150,290
Net property and equipment	811,275	843,307
Total unrestricted	2,198,728	2,472,546
Temporarily restricted	230,234	276,027
Permanently restricted	183,778	183,778
Total net assets	2,612,740	2,932,351
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,738,866	 \$ 3,067,170

See notes to financial statements.

EPISCOPAL LAYMEN'S MISSION SOCIETY
dba WILLIAM TEMPLE HOUSE
STATEMENT OF ACTIVITIES
For the year ended September 30, 2015
(With comparative totals for 2014)

	2015			Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Thrift store sales	\$ 849,114	\$ -	\$ -	\$ 849,114	\$ 829,595
In-kind donation of goods	824,083	-	-	824,083	807,468
Less inventory sold	<u>(854,803)</u>	<u>-</u>	<u>-</u>	<u>(854,803)</u>	<u>(835,613)</u>
Net sales of donated merchandise	818,394	-	-	818,394	801,450
Contributions	345,056	98,903	-	443,959	562,419
Donated materials and services	610,861	-	-	610,861	475,058
Program service revenue	23,371	-	-	23,371	30,090
Special event revenue, net of direct costs of \$40,118 for 2015 and \$25,732 for 2014	66,875	-	-	66,875	108,154
Investment income (loss), net	(62,930)	(33,779)	-	(96,709)	107,923
Change in value of liability under charitable trust	-	6,369	-	6,369	1,882
Other income	5,733	-	-	5,733	14,126
Net assets released from restrictions:				-	-
Satisfaction of purpose restrictions	<u>117,286</u>	<u>(117,286)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,924,646</u>	<u>(45,793)</u>	<u>-</u>	<u>1,878,853</u>	<u>2,101,102</u>
Expenses:					
Program services	1,566,315	-	-	1,566,315	1,384,575
Administration	374,088	-	-	374,088	182,089
Fundraising	<u>258,061</u>	<u>-</u>	<u>-</u>	<u>258,061</u>	<u>180,093</u>
Total expenses	<u>2,198,464</u>	<u>-</u>	<u>-</u>	<u>2,198,464</u>	<u>1,746,757</u>
Change in net assets	(273,818)	(45,793)	-	(319,611)	354,345
Net assets:					
Beginning of year	<u>2,472,546</u>	<u>276,027</u>	<u>183,778</u>	<u>2,932,351</u>	<u>2,578,006</u>
End of year	<u>\$2,198,728</u>	<u>\$ 230,234</u>	<u>\$ 183,778</u>	<u>\$ 2,612,740</u>	<u>\$ 2,932,351</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, 2015
 (With comparative totals for 2014)

	Program Services				Supporting Services				
	Social Services	Counseling	Pastoral	Thrift Store	Program Services	Administration	Fundraising	2015 Total	2014 Total
Salaries and payroll taxes	\$ 90,329	\$ 108,820	\$ 4,081	\$ 342,988	\$ 546,218	\$ 128,757	\$ 110,591	\$ 785,566	\$ 635,881
Employee benefits	17,411	19,349	95	91,952	128,807	18,985	15,408	163,200	130,275
Professional fees	63,571	361,195	2,374	13,031	440,171	163,008	70,649	673,828	492,837
Direct assistance	204,612	-	-	661	205,273	-	375	205,648	154,574
Telephone	6,379	5,103	638	3,899	16,019	3,895	1,915	21,829	28,285
Utilities	11,059	8,991	1,080	22,259	43,389	2,383	2,348	48,120	51,895
Repairs and maintenance	20,714	14,631	1,764	24,788	61,897	6,216	2,967	71,080	55,610
Equipment rental	5,412	4,944	483	237	11,076	5,314	2,419	18,809	18,294
Insurance	3,201	5,453	145	13,310	22,109	9,971	4,296	36,376	32,402
Security	3,829	1,804	208	9,345	15,186	922	520	16,628	10,725
Supplies	9,017	3,436	143	6,280	18,876	7,527	21,543	47,946	26,049
Printing, postage and publications	484	1,489	-	1,188	3,161	1,274	12,715	17,150	17,258
Travel, entertainment and training	1,876	1,377	599	1,249	5,101	3,476	3,400	11,977	5,974
Financial fees	-	-	-	14,773	14,773	394	1,712	16,879	20,635
Depreciation	4,747	8,086	216	19,738	32,787	14,785	6,371	53,943	52,073
Miscellaneous	258	336	373	505	1,472	7,181	832	9,485	13,990
Thrift store cost of sales	-	-	-	854,803	854,803	-	-	854,803	835,613
Less expenses deducted directly from revenue	442,899	545,014	12,199	1,421,006	2,421,118	374,088	258,061	3,033,267	2,582,370
	-	-	-	(854,803)	(854,803)	-	-	(854,803)	(835,613)
Total expenses	\$ 442,899	\$ 545,014	\$ 12,199	\$ 566,203	\$ 1,566,315	\$ 374,088	\$ 258,061	\$ 2,198,464	\$ 1,746,757

See notes to financial statements.

EPISCOPAL LAYMEN'S MISSION SOCIETY
 dba WILLIAM TEMPLE HOUSE
 STATEMENT OF CASH FLOWS
 For the year ended September 30, 2015
 (With comparative totals for 2014)

	2015	2014
Cash flows from operating activities:		
Cash receipts:		
Thrift store sales	\$ 849,114	\$ 829,595
Contributions and events	459,367	639,739
Program service, investment, and other revenue	<u>111,411</u>	<u>114,621</u>
Total cash receipts	<u>1,419,892</u>	<u>1,583,955</u>
Cash disbursements:		
Payroll and related expenses	(949,670)	(757,269)
Other operating expenses	<u>(629,470)</u>	<u>(460,133)</u>
Total cash disbursements	<u>(1,579,140)</u>	<u>(1,217,402)</u>
Net cash provided by (used in) operating activities	<u>(159,248)</u>	<u>366,553</u>
 Cash flows from investing activities:		
Purchase of property and equipment	(21,911)	(31,708)
Proceeds from the sale of investments	32,047	31,241
Purchase of investments	<u>(75,052)</u>	<u>(127,218)</u>
Net cash used in investing activities	<u>(64,916)</u>	<u>(127,685)</u>
 Net increase (decrease) in cash and cash equivalents	(224,164)	238,868
 Cash and cash equivalents - beginning of year	<u>548,228</u>	<u>309,360</u>
Cash and cash equivalents - end of year	<u>\$ 324,064</u>	<u>\$ 548,228</u>
 Reconciliation of cash flow activity:		
Change in net assets	\$ (319,611)	\$ 354,345
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	53,943	52,073
Net change in inventory	(9,441)	4,426
Net realized/unrealized gain (loss) on investments	139,191	(77,343)
Change in value of charitable trust liability	(6,369)	(1,882)
(Increase) decrease in:		
Contributions receivable	(51,467)	(30,834)
Receivable from insurance claim	39,825	39,825
Prepaid expenses	(2,995)	(6,438)
Increase in:		
Accounts payable and accrued personnel expenses	<u>(2,324)</u>	<u>32,381</u>
Net cash provided by (used in) operating activities	<u>\$ (159,248)</u>	<u>\$ 366,553</u>

See notes to financial statements.

EPISCOPAL LAYMEN'S MISSION SOCIETY
dba WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

I. 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 Hillsboro and Milwaukie. The Organization also provides free information and referrals to more than 3,000 people annually.

- 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, children's clothing, vision exams and eyeglasses, prescription medication assistance, rent and utility assistance, and other emergency and temporary services to individuals and families in the local community without charge.

Counseling and Pastoral Services

The Organization provides individual and family mental health counseling, graduate and post graduate training and internship as well as conducts education and training programs for community, professionals and churches. The Organization also provides pastoral and spiritual care by a priest/clergy and trained volunteers on site to all who wish it. Pastoral care includes worship services, the sacraments of the church, pastoral counseling and spiritual direction, pastoral visits and prayer requests.

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 functions as a clothing and household goods supply center for social service clients.

EPISCOPAL LAYMEN'S MISSION SOCIETY
dba WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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 based on the existence or absence of donor-imposed restrictions as follows:

- 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.

Contributions Receivable

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.

Inventory

Inventory consisting of donated clothing and household and other items is stated at estimated 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, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 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 follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

The Organization's information returns for years ended September 30, 2011 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Restricted and Unrestricted Revenue and Support

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, 2015

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 years ended September 30, 2015 and 2014 are as follows:

	2015	2014
Thrift store donations	\$ 824,083	\$ 807,468
Donated materials and services:		
Food and supplies, included in program services	127,669	76,324
Professional counseling services and hygiene services, included in program services	329,881	372,084
Accounting, legal and professional services, included in administration	131,411	26,650
Development donated goods and services, including in \$18,200 held in inventory for future sale	21,900	-
Total donated materials and services	610,861	475,058
Total donated assets and services	\$ 1,434,944	\$ 1,282,526

Earnings on the Investment of Endowment and Similar Funds

Income, realized net gains, and unrealized net gains on the investment 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.

EPISCOPAL LAYMEN'S MISSION SOCIETY
dba WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 26, 2016, the date the financial statements were available to be issued.

Summarized Financial Information for 2014

The financial information as of September 30, 2014 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$56,098 and \$4,631 at September 30, 2015 and 2014, respectively, represent unsecured promises of future contributions that are expected to be collected in the next year. These pledges are considered fully collectible; therefore, no allowance for uncollectible pledges has been recorded.

EPISCOPAL LAYMEN'S MISSION SOCIETY
 dba WILLIAM TEMPLE HOUSE
 NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2015

4. INVENTORY

Inventory consists of the following at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Clothing and accessories	\$ 29,475	\$ 30,643
Household goods	26,820	34,411
Other donated items held for future use	<u>18,200</u>	<u>-</u>
Total inventory	<u>\$ 74,495</u>	<u>\$ 65,054</u>

5. INVESTMENTS

Investments consist of the following at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash and equivalents	\$ 117,406	\$ 194,527
Fixed income securities	201,023	269,229
Mutual funds	958,309	955,981
Bond fund	109,830	69,297
Real estate and tangible investments	<u>60,262</u>	<u>53,982</u>
Total investments	<u>\$ 1,446,830</u>	<u>\$ 1,543,016</u>

Investments as reported in the statement of financial position include the following at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Investments	\$ 1,338,787	\$ 1,419,619
Assets held in charitable trust	<u>108,043</u>	<u>123,397</u>
	<u>\$ 1,446,830</u>	<u>\$ 1,543,016</u>

EPISCOPAL LAYMEN'S MISSION SOCIETY
 dba WILLIAM TEMPLE HOUSE
 NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2015

5. INVESTMENTS, Continued

Investment income (loss) consists of:

	2015	2014
Interest and dividends	\$ 57,016	\$ 46,053
Net realized/unrealized gain (loss) on investments	(139,191)	77,343
Investment expenses	(14,534)	(15,473)
Investment income (loss), net	\$ (96,709)	\$ 107,923

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 7% of the preceding year's 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 at September 30, 2015 and 2014 are as follows:

	2015	2014
Assets held in charitable trust	\$ 108,043	\$ 123,397
Liability under charitable trust	(31,590)	(37,959)
Net trust value	\$ 76,453	\$ 85,438

EPISCOPAL LAYMEN'S MISSION SOCIETY
 dba WILLIAM TEMPLE HOUSE
 NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2015

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2015 and 2014:

	2015	2014
Land	\$ 187,214	\$ 187,214
Buildings	1,820,814	1,833,663
Furniture and fixtures	104,326	126,387
Total property and equipment	2,112,354	2,147,264
Less accumulated depreciation	1,301,079	1,303,957
Net property and equipment	\$ 811,275	\$ 843,307

8. BOARD DESIGNATED ASSETS

Board designated net assets at September 30, 2015 and 2014 total \$1,081,902 and \$1,150,290, respectively, and consist of unrestricted funds held as an endowment for use in future operations. See Note 13 for additional information.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2015 and 2014 are as follows:

	2015	2014
Purpose restricted:		
Hatfield special needs	\$ 26,656	\$ -
Social services	26,018	-
Counseling and dental program	11,504	11,482
Clothing closet	9,791	12,595
Parish partners	6,517	6,768
50th Anniversary	-	61,463
Other	187	6,748
	80,673	99,056
Net assets held under charitable trust	76,453	85,438
Endowment earnings (Note 13)	73,108	91,533
Total temporarily restricted net assets	\$ 230,234	\$ 276,027

EPISCOPAL LAYMEN'S MISSION SOCIETY
 dba WILLIAM TEMPLE HOUSE
 NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2015

10. 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.

11. LEASE COMMITMENTS

The Organization leases certain office equipment under operating leases with monthly payments totaling approximately \$1,300 and expiring in December 2016 and June 2017. Total rent expense approximated \$15,100 for both of the years ended September 30, 2015 and 2014.

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

Year ending September 30, 2016	\$ 5,600
2017	<u>1,400</u>
	<u>\$ 7,000</u>

12. RETIREMENT PLAN

The Organization maintains 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 may make discretionary matching and non-matching contributions to the plan. The Organization made matching contributions of \$7,332 and \$1,745 for the year ended September 30, 2015 and 2014, respectively.

EPISCOPAL LAYMEN'S MISSION SOCIETY
dba WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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.

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.

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EPISCOPAL LAYMEN'S MISSION SOCIETY
 dba WILLIAM TEMPLE HOUSE
 NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2015

13. ENDOWMENT, Continued

Interpretation of Relevant Law, Continued

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, 2015 and 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
September 30, 2015				
Donor-restricted	\$ -	\$ 73,108	\$ 183,778	\$ 256,886
Board-designated	<u>1,081,901</u>	<u>-</u>	<u>-</u>	<u>1,081,901</u>
	<u>\$ 1,081,901</u>	<u>\$ 73,108</u>	<u>\$ 183,778</u>	<u>\$ 1,338,787</u>
September 30, 2014				
Donor-restricted	\$ -	\$ 91,533	\$ 183,778	\$ 275,311
Board-designated	<u>1,150,290</u>	<u>-</u>	<u>-</u>	<u>1,150,290</u>
	<u>\$ 1,150,290</u>	<u>\$ 91,533</u>	<u>\$ 183,778</u>	<u>\$ 1,425,601</u>

EPISCOPAL LAYMEN'S MISSION SOCIETY
 dba WILLIAM TEMPLE HOUSE
 NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2015

13. ENDOWMENT, Continued

Changes in endowment net assets for the year ended September 30, 2015 is as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets -				
September 30, 2014	\$ 1,150,290	\$ 91,533	\$ 183,778	\$ 1,425,601
Contributions	9,279	-	-	9,279
Investment loss	(56,433)	(16,370)	-	(72,803)
Investment expenses	(12,479)	(2,055)	-	(14,534)
Appropriated for expenditure	<u>(8,756)</u>	<u>-</u>	<u>-</u>	<u>(8,756)</u>
Endowment net assets -				
September 30, 2015	<u>\$ 1,081,901</u>	<u>\$ 73,108</u>	<u>\$ 183,778</u>	<u>\$ 1,338,787</u>

The changes in endowment net assets for the year ended September 30, 2014 is as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets -				
September 30, 2013	\$ 996,843	\$ 71,073	\$ 183,778	\$ 1,251,694
Contributions	71,987	-	-	71,987
Investment income	102,815	22,462	-	125,277
Investment expenses	(13,471)	(2,002)	-	(15,473)
Appropriated for expenditure	<u>(7,884)</u>	<u>-</u>	<u>-</u>	<u>(7,884)</u>
Endowment net assets -				
September 30, 2014	<u>\$ 1,150,290</u>	<u>\$ 91,533</u>	<u>\$ 183,778</u>	<u>\$ 1,425,601</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 as well as board-designated funds.

EPISCOPAL LAYMEN'S MISSION SOCIETY
dba WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

13. ENDOWMENT, Continued

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.

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.

EPISCOPAL LAYMEN'S MISSION SOCIETY
 dba WILLIAM TEMPLE HOUSE
 NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2015

14. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at September 30, 2015 and 2014 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
September 30, 2015			
Investments:			
Fixed income securities	\$ 201,023	\$ -	\$ -
Domestic equity mutual funds	690,716	-	-
International equity mutual funds	267,593	-	-
Alternative non-traditional bond fund	-	109,830	-
Real estate and tangibles	-	60,262	-
Liabilities:			
Liability under charitable trust	-	-	(31,590)
 September 30, 2014			
Investments:			
Fixed income securities	\$ 269,229	\$ -	\$ -
Domestic equity mutual funds	715,197	-	-
International equity mutual funds	240,784	-	-
Alternative non-traditional bond fund	-	69,297	-
Real estate and tangibles	-	53,982	-
Liabilities:			
Liability under charitable trust	-	-	(37,959)

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values of investments in alternative investments and real estate and intangibles are estimated by management (in the absence of readily determinable fair values) based on information provided by fund managers.

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
 September 30, 2015

14. FAIR VALUE MEASUREMENTS, Continued

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

	2015	2014
Liability under charitable trust		
Balance at beginning of year	\$ (37,959)	\$ (39,841)
Additions	8,756	7,884
Distributions to beneficiary	(8,756)	(7,884)
Change in value of remaining obligation (included in temporarily restricted net assets)	6,369	1,882
Balance at end of year	\$ (31,590)	\$ (37,959)

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 in excess of insured limits were approximately \$72,900 and \$245,500 as of September 30, 2015 and 2014, respectively.

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.