



EQUITY FOUNDATION, INC.

Financial Statements

**For the Years Ended
June 30, 2014 (Reviewed) and
June 30, 2013 (Audited)**



MCDONALD JACOBS
ACCOUNTANTS & CONSULTANTS



MCDONALD JACOBS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Jake Jacobs, CPA
Shareholder

Susan J. Marks, CPA
Shareholder

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Mary Strasdin, CPA
Shareholder

Jill Oswald
Shareholder

Anthony Almer, CPA
Principal

Tyee Carr, CPA
Principal

Dennis C. Johnson, CPA
of counsel

To the Board of Directors
Equity Foundation, Inc.

We have reviewed the accompanying statement of financial position of Equity Foundation, Inc. (a nonprofit organization) as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Foundation management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended June 30, 2013, were audited by us, and we expressed an unmodified opinion on them in our report dated November 4, 2013, but we have not performed any auditing procedures since that date.

McDonald Jacobs, P.C.

Portland, Oregon
September 23, 2014

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

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EQUITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|----------------------------|----------------------------|
| | <u>(Reviewed)</u> | <u>(Audited)</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 161,700 | \$ 167,519 |
| Contributions receivable | 61,760 | 79,200 |
| Prepaid expenses | 3,447 | 4,718 |
| Charitable remainder annuity trust | 339,621 | 324,785 |
| Investments | 1,466,241 | 1,325,968 |
| Furniture and equipment, net of accumulated depreciation of \$35,035 in 2014 and \$33,806 in 2013 | <u>3,565</u> | <u>2,766</u> |
| TOTAL ASSETS | <u>\$ 2,036,334</u> | <u>\$ 1,904,956</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 4,302 | \$ 21,320 |
| Designated contributions payable | 94,082 | 101,071 |
| Grants payable | 7,995 | 18,200 |
| Deferred revenue | - | 10,000 |
| Charitable remainder annuity trust payable | <u>308,928</u> | <u>297,951</u> |
| Total liabilities | <u>415,307</u> | <u>448,542</u> |
| Net assets (deficit): | | |
| Unrestricted: | | |
| Undesignated | (218,949) | (291,787) |
| Board-designated | <u>997,347</u> | <u>975,503</u> |
| Total unrestricted | 778,398 | 683,716 |
| Temporarily restricted | 293,470 | 262,123 |
| Permanently restricted | <u>549,159</u> | <u>510,575</u> |
| Total net assets | <u>1,621,027</u> | <u>1,456,414</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,036,334</u> | <u>\$ 1,904,956</u> |

See independent accountant's review report and notes to financial statements.

EQUITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2014 and 2013

| | 2014 (Reviewed) | | | 2013 (Audited) | | | |
|--|--------------------|------------------------|------------------------|-------------------|------------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Support and revenue: | | | | | | | |
| Total workplace giving campaign results | \$ - | \$ 143,064 | \$ - | \$ - | \$ 162,845 | \$ - | \$ 162,845 |
| Less uncollectible, current campaign | - | (11,644) | - | - | (16,762) | - | (16,762) |
| Less direct costs | (8,686) | - | - | (10,231) | - | - | (10,231) |
| Less net amounts designated for other organizations | - | (94,082) | - | - | (101,071) | - | (101,071) |
| Net workplace giving campaign contributions | (8,686) | 48,982 | - | (10,231) | 61,774 | - | 51,543 |
| Special events, net of expenses of \$26,260 for 2014 and \$41,457 for 2013 | 278,983 | - | 62,099 | 224,982 | 22,788 | 17,728 | 265,498 |
| In-kind contributions | 47,507 | - | - | 25,142 | - | - | 25,142 |
| Investment income, net of fees | 2,635 | - | - | 38,395 | - | - | 38,395 |
| Miscellaneous income | 109,203 | 72,906 | 1,788 | 88,385 | 54,823 | 3,462 | 146,670 |
| Donor-directed reclassification | 2,686 | - | - | 259 | - | - | 259 |
| Net assets released from restrictions: | 30,803 | (5,500) | (25,303) | (5,000) | - | 5,000 | - |
| Satisfaction of purpose restrictions | 85,041 | (85,041) | - | 54,896 | (54,896) | - | - |
| Total support and revenue | <u>548,172</u> | <u>31,347</u> | <u>38,584</u> | <u>416,828</u> | <u>84,489</u> | <u>26,190</u> | <u>527,507</u> |
| Expenses: | | | | | | | |
| Program services: | | | | | | | |
| Community outreach | 64,309 | - | - | 107,671 | - | - | 107,671 |
| Granting | 193,968 | - | - | 206,785 | - | - | 206,785 |
| Total program services | 258,277 | - | - | 314,456 | - | - | 314,456 |
| Management and general | 73,085 | - | - | 107,636 | - | - | 107,636 |
| Fundraising | 122,128 | - | - | 77,377 | - | - | 77,377 |
| Total expenses | <u>453,490</u> | <u>-</u> | <u>-</u> | <u>499,469</u> | <u>-</u> | <u>-</u> | <u>499,469</u> |
| Change in net assets | 94,682 | 31,347 | 38,584 | (82,641) | 84,489 | 26,190 | 28,038 |
| Net assets: | | | | | | | |
| Beginning of year | 683,716 | 262,123 | 510,575 | 766,357 | 177,634 | 484,385 | 1,428,376 |
| End of year | <u>\$ 778,398</u> | <u>\$ 293,470</u> | <u>\$ 549,159</u> | <u>\$ 683,716</u> | <u>\$ 262,123</u> | <u>\$ 510,575</u> | <u>\$ 1,456,414</u> |

See independent accountant's review report and notes to financial statements.

EQUITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014

| | Reviewed | | | | |
|-------------------------------|-------------------------|--------------------------|------------------------------|--------------------------|--------------------------|
| | Community Outreach | Granting | Management and General | Fund- Raising | Total |
| Salaries and related expenses | \$ 43,900 | \$ 6,446 | \$ 21,145 | \$ 78,631 | \$ 150,122 |
| Grants | 6,340 | 184,875 | - | - | 191,215 |
| Rent | 4,131 | 742 | 2,645 | 7,807 | 15,325 |
| Professional services | 345 | 454 | 39,593 | 14,229 | 54,621 |
| Insurance | 485 | 87 | 1,970 | 917 | 3,459 |
| Office supplies | 339 | 47 | 292 | 749 | 1,427 |
| Computer expenses | 169 | 30 | 425 | 321 | 945 |
| Postage | 114 | 14 | 862 | 784 | 1,774 |
| Printing and design | 3,955 | 103 | 525 | 6,583 | 11,166 |
| Travel and parking | 1,517 | 922 | 295 | 1,726 | 4,460 |
| Advertising | 590 | - | - | 1,250 | 1,840 |
| Depreciation | - | - | - | 1,229 | 1,229 |
| Other expenses | 2,128 | 248 | 4,578 | 5,267 | 12,221 |
| Donated services | - | - | - | 2,635 | 2,635 |
| Community outreach | 296 | - | - | - | 296 |
| Bad debt expense | - | - | 755 | - | 755 |
| Total expenses | <u>\$ 64,309</u> | <u>\$ 193,968</u> | <u>\$ 73,085</u> | <u>\$ 122,128</u> | <u>\$ 453,490</u> |

See independent accountant's review report and notes to financial statements.

EQUITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2013

| | Audited | | | | |
|-------------------------------|-----------------------|-------------------|------------------------------|------------------|-------------------|
| | Community Outreach | Granting | Management and General | Fund- Raising | Total |
| Salaries and related expenses | \$ 47,055 | \$ 26,590 | \$ 26,592 | \$ 17,705 | \$ 117,942 |
| Grants | 5,075 | 170,343 | - | - | 175,418 |
| Rent | 6,486 | 4,546 | 3,540 | 1,905 | 16,477 |
| Professional services | 11,796 | 2,343 | 57,355 | 27,985 | 99,479 |
| Insurance | 589 | 413 | 1,800 | 568 | 3,370 |
| Office supplies | 135 | 50 | 115 | 73 | 373 |
| Computer expenses | 85 | 30 | 21 | 28 | 164 |
| Postage | 1,176 | 117 | 83 | 49 | 1,425 |
| Printing and design | 4,944 | 871 | 864 | 2,393 | 9,072 |
| Travel and parking | 3,043 | 219 | 400 | 723 | 4,385 |
| Advertising | 122 | - | - | - | 122 |
| Depreciation | - | - | 922 | - | 922 |
| Other expenses | 7,139 | 1,263 | 3,021 | 6,053 | 17,476 |
| Donated services | 18,500 | - | - | 19,895 | 38,395 |
| Community outreach | 1,526 | - | - | - | 1,526 |
| Bad debt expense | - | - | 12,923 | - | 12,923 |
| Total expenses | <u>\$ 107,671</u> | <u>\$ 206,785</u> | <u>\$ 107,636</u> | <u>\$ 77,377</u> | <u>\$ 499,469</u> |

See independent accountant's review report and notes to financial statements.

EQUITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2014 and 2013

| | 2014 <u>(Reviewed)</u> | 2013 <u>(Audited)</u> |
|---|---------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Cash received from contributors | \$ 366,064 | \$ 367,610 |
| Cash received from interest and dividends | 34,114 | 36,050 |
| Cash paid to grantees | (201,420) | (140,291) |
| Cash paid to employees and vendors | <u>(284,547)</u> | <u>(307,733)</u> |
| Net cash used in operating activities | <u>(85,789)</u> | <u>(44,364)</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (2,028) | (3,688) |
| Proceeds from sale of investments | 730,003 | 371,404 |
| Additions to investments | <u>(710,104)</u> | <u>(391,678)</u> |
| Net cash provided by (used in) investing activities | <u>17,871</u> | <u>(23,962)</u> |
| Cash flows from financing activities: | | |
| Contributions restricted for long-term investment | <u>62,099</u> | <u>17,728</u> |
| Net cash provided by financing activities | <u>62,099</u> | <u>17,728</u> |
| | | |
| Net decrease in cash and cash equivalents | (5,819) | (50,598) |
| Cash and cash equivalents: | | |
| Beginning of year | <u>167,519</u> | <u>218,117</u> |
| | | |
| End of year | <u>\$ 161,700</u> | <u>\$ 167,519</u> |
| | | |
| Reconciliation of change in net assets to cash used in operating activities: | | |
| Change in net assets | \$ 164,613 | \$ 28,038 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 1,229 | 922 |
| Allowance for uncollectible pledges | (911) | 12,555 |
| Contributions restricted for long-term investment | (62,099) | (17,728) |
| Net realized and unrealized gain on investments | (160,172) | (123,108) |
| (Increase) decrease in: | | |
| Contributions receivable | 18,351 | 14,462 |
| Prepaid expenses | 1,271 | 3,740 |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | (17,018) | 17,116 |
| Designated contributions payable | (6,989) | 9,126 |
| Grants payable | (10,205) | 3,760 |
| Charitable remainder annuity trust payable, net | (3,859) | (3,247) |
| Deferred revenue | <u>(10,000)</u> | <u>10,000</u> |
| Net cash used in operating activities | <u>\$ (85,789)</u> | <u>\$ (44,364)</u> |

See independent accountant's review report and notes to financial statements.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

1. NATURE OF ACTIVITIES

Equity Foundation, Inc. (the Foundation) builds communities that embrace the dignity and worth of all people. Founded in 1989, the Foundation works to promote philanthropy and positive interaction through grants and outreach to gay, lesbian, bisexual, transgender, and questioning (GLBTQ) and other organizations. General cycle grants are provided to Oregon-focused projects and programs in the areas of health and social services, youth and family services, arts and culture, and human dignity. The Safe Schools Initiative has explicitly targeted funding to schools to end bullying and harassment, particularly as targeted at students who are gay, lesbian, bisexual, transgender or perceived to be. Donor-advised and workplace giving contributions are distributed in these and other areas. All grantees must sign a non-discrimination agreement that includes gender identity and sexual orientation in addition to other civil rights act protections, as a condition of receiving the funds. In addition, the Foundation raises funds to build a permanent endowment through gifts, donations, and bequests. Support is received primarily through contributions from individuals and businesses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation 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 Foundation 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 Foundation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation 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.

See independent accountant's review report.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions Receivable - Work Place Giving Campaign

Campaigns are conducted in workplaces each fall to raise support for the Foundation's programs for the following calendar year. Pledges received through these campaigns are recognized when the Foundation is notified of the contributions, and are recorded as "Contributions Receivable," which represent unsecured, unconditional promises to give. Based on an assessment of the credit history of those having outstanding balances and on current relationships with them, management records an allowance for uncollectible balances which is reflected in the financial statements.

Contributions Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Foundation 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 Foundation has an established right to the bequest and the proceeds are measurable.

Investments

Investments consist of marketable securities and are carried at fair value.

Furniture and Equipment

Acquisitions of furniture and equipment in excess of \$300 are capitalized. Furniture 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 three to five years.

Contributions Payable - Donor Designated Contributions

Individuals contributing through workplace giving campaigns may designate their donation for a specific organization they wish to support. Designated contributions, less an allowance for administrative charges, are distributed to the organizations so designated. The gross amounts received and to be remitted to others are included in "total workplace giving campaign results" in the statements of activities. Amounts remaining to be paid at year end are shown on the statements of financial position as "designated contributions payable." The Foundation secured pledges approximating \$94,000 during 2014 and \$101,000 during 2013 that were designated to other organizations.

See independent accountant's review report.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions Payable - Donor Designated Contributions, Continued

Workplace giving contributions that are designated for specific organizations are not recorded as contributions to the Foundation or as grants paid by the Foundation. The Foundation provides support for collection and dissemination of these funds, including obtaining non-discrimination agreements from all recipient organizations. Total pass-through grants payable for the years ended June 30, 2014 and 2013 were approximately \$94,000 and \$101,000, respectively.

Restricted and Unrestricted Revenue and Support

Contributions are recognized in the period pledged and 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 statements of activities as net assets released from restrictions.

Contributions to donor-advised funds are recorded as unrestricted contributions since the Foundation has variance power over the funds; that is, the ultimate discretion for the use of these funds lies with the Foundation's Board of Directors.

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 Foundation 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. For the year ended June 30, 2014, donated services of \$2,600 are included as fundraising expenses. For the year ended June 30, 2013, donated services of \$18,500 and \$19,895, respectively, are included as program services and fundraising expenses.

In addition, a number of volunteers have made significant contributions of their time in the furtherance of the Foundation's programs. The value of this contributed time is not reflected in the accompanying financial statements since the recognition criterion has not been met.

See independent accountant's review report.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Investment Income

Net assets of all funds are pooled to maximize the return on investments. Investment income is allocated monthly in proportion to the balance in each fund at the end of the prior month.

Income Taxes

The Foundation is a nonprofit corporation and is exempt from federal and state 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 Foundation has no activities subject to unrelated business income tax. The Foundation is not a private foundation.

The Foundation follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Foundation'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 Foundation's information returns for years ended June 30, 2010 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Foundation has evaluated all subsequent events through September 23, 2014, the date the financial statements were available to be issued.

See independent accountant's review report.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2014 and 2013 consist of:

| | 2014 | 2013 |
|---|-----------|-----------|
| Work Place Giving Campaign | \$ 63,774 | \$ 91,755 |
| Other | 9,630 | - |
| | 73,404 | 91,755 |
| Less allowance for uncollectible accounts | 11,644 | 12,555 |
| Net contributions receivable | \$ 61,760 | \$ 79,200 |

At June 30, 2014 and 2013, all such pledges were due to be collected within 12 months or less.

4. CHARITABLE REMAINDER ANNUITY TRUST

On August 6, 2004, a donor designated the Foundation as a trustee to a charitable remainder annuity trust. The Foundation is also named as beneficiary of 25% of the total assets of the trust; however, the trust agreement allows the donor the right to change the beneficiaries and remove the trustee. Accordingly, no amount is recorded as contribution revenue for the Foundation's share of the trust assets. The statements of financial position report the total fair value of the trust as an asset and as a corresponding liability. In the event the Foundation is removed as trustee and beneficiary, the Foundation will receive a fee of 1% of the corpus of the trust for each full year in which the Foundation serves as trustee. Revenue has been recognized for the amount receivable to date based on the 1% annual fee. Accumulated amounts receivable total \$30,693 and \$26,834 as of June 30, 2014 and 2013, respectively.

See independent accountant's review report.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

5. INVESTMENTS

Investments at June 30, 2014 and 2013 consist of:

| | <u>2014</u> | <u>2013</u> |
|-------------------------|---------------------|---------------------|
| Money market funds | \$ 110,493 | \$ 74,643 |
| Fixed income securities | 465,259 | 477,377 |
| Equity securities | <u>890,489</u> | <u>773,948</u> |
| Total investments | <u>\$ 1,466,241</u> | <u>\$ 1,325,968</u> |

Investment income for the years ended June 30, 2014 and 2013 consists of:

| | | |
|--------------------------------|-------------------|-------------------|
| Interest and dividend income | \$ 34,114 | \$ 36,050 |
| Net realized/unrealized gain | 160,172 | 123,108 |
| Investment expenses | <u>(10,389)</u> | <u>(12,488)</u> |
| Investment income, net of fees | <u>\$ 183,897</u> | <u>\$ 146,670</u> |

6. BOARD-DESIGNATED NET ASSETS

Board-designated net assets are as follows at June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| Donor-advised funds | \$ 531,322 | \$ 550,842 |
| Board-designated housing endowment (Note 13) | 131,722 | 114,189 |
| Board-designated endowment (Note 13) | 2,772 | 2,403 |
| Other designated funds | <u>331,531</u> | <u>308,069</u> |
| Total Board designated net assets | <u>\$ 997,347</u> | <u>\$ 975,503</u> |

Donor-advised funds included in Board-designated net assets are classified as unrestricted. Although grant recommendations are accepted from the donors, the Foundation has variance power over the funds; that is, the ultimate discretion for the use of these funds lies with the Foundation's Board of Directors.

See independent accountant's review report.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| Pledges from workplace giving campaign | \$ 63,774 | \$ 92,713 |
| Receivable from charitable remainder annuity trust | 30,693 | 26,834 |
| Endowment earnings (Note 13) | <u>199,003</u> | <u>142,576</u> |
| Total temporarily restricted net assets | <u>\$ 293,470</u> | <u>\$ 262,123</u> |

8. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are contributions restricted by the donor to be held in perpetuity. All donors to the Foundation endowment funds have agreed that the income from their contributions will also be permanently restricted until each permanently restricted fund reaches \$50,000. After that point, the income will be available for any use consistent with the Foundation's purpose. The Foundation will consider donors' recommendations regarding grant decisions. Other income from permanently restricted net assets is classified as temporarily restricted. Also see Note 13.

Permanently restricted net assets are as follows at June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| Equity Restricted Endowment Fund | \$ 122,190 | \$ 121,590 |
| Pride of the Rose Endowment Fund | 91,085 | 91,085 |
| McDonald Jakovina Endowed Scholarship Fund | 54,385 | 54,385 |
| Jessica Dolan Memorial Endowed Scholarship Fund | 51,750 | 10,750 |
| Donor-advised endowment funds | <u>229,749</u> | <u>232,765</u> |
| Total permanently restricted net assets | <u>\$ 549,159</u> | <u>\$ 510,575</u> |

See independent accountant's review report.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

9. LEASE COMMITMENTS

The Foundation leases office space under an operating lease agreement in effect through November 15, 2015, with current monthly rent of \$1,310, subject to annual increases based on inflation. Rent expense approximated \$15,300 and \$16,500 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease payments are as follows:

| | | |
|-----------------------------------|----|----------------------|
| For the year ending June 30, 2015 | \$ | 15,700 |
| 2016 | | <u>5,900</u> |
| | \$ | <u><u>21,600</u></u> |

10. RELATED PARTY TRANSACTIONS

A Board member of the Foundation is also the Board Chair for an organization that receives grants from Equity Foundation, Inc. The Board member does not participate in decisions related to the grants.

11. RETIREMENT PLAN

The Foundation provides a defined contribution retirement plan and contributes 3% of compensation for each employee with full time employment. Foundation contributions to the plan were \$4,123 and \$1,175 for the years ended June 30, 2014 and 2013, respectively.

12. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balances in several financial institutions located in Portland. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There were no uninsured balances at June 30, 2014 or 2013.

In addition, the majority of contributions and balances receivable are from organizations and individuals located within the same geographic region and are unsecured.

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 statements of financial position.

See independent accountant's review report.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

13. ENDOWMENT

The Foundation's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, 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.

Interpretation of Relevant Law

The Board of Directors of Equity Foundation, Inc. has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) 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 Foundation 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 Foundation in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with UPMIFA, the Foundation 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 Foundation 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 Foundation,
- (7) The investment policies of the Foundation.

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EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

13. ENDOWMENT, Continued

Return Objectives, Risk Parameters and Strategies

The Foundation 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 Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that is consistent with the market while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent over rolling five-year periods. Actual returns in any given year may vary from this rate of return.

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation 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.

Endowment net asset composition by type of fund as of June 30, 2014 and 2013 is as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| <u>June 30, 2014</u> | | | | |
| Donor-restricted endowment funds | \$ - | \$ 199,003 | \$ 549,159 | \$ 748,162 |
| Board-designated endowment funds | 134,494 | - | - | 134,494 |
| | <u>\$ 134,494</u> | <u>\$ 199,003</u> | <u>\$ 549,159</u> | <u>\$ 882,656</u> |
| <u>June 30, 2013</u> | | | | |
| Donor-restricted endowment funds | \$ - | \$ 142,576 | \$ 510,575 | \$ 653,151 |
| Board-designated endowment funds | 116,592 | - | - | 116,592 |
| Total funds | <u>\$ 116,592</u> | <u>\$ 142,576</u> | <u>\$ 510,575</u> | <u>\$ 769,743</u> |

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EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

13. ENDOWMENT, Continued

Changes in endowment net assets for the years ended June 30, 2014 and 2013:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets - | | | | |
| June 30, 2012 | \$ 108,353 | \$ 105,653 | \$ 484,385 | \$ 698,391 |
| Investment income, net of fees | 1,334 | 11,274 | 668 | 13,276 |
| Net appreciation and other changes | 6,905 | 43,549 | 2,794 | 53,248 |
| Contributions | - | - | 17,728 | 17,728 |
| Appropriation of endowment assets for expenditure | - | (15,600) | - | (15,600) |
| Other changes | - | (2,300) | 5,000 | 2,700 |
| Total changes | <u>8,239</u> | <u>36,923</u> | <u>26,190</u> | <u>71,352</u> |
| Endowment net assets - | | | | |
| June 30, 2013 | <u>116,592</u> | <u>142,576</u> | <u>510,575</u> | <u>769,743</u> |
| Investment income, net of fees | 2,985 | 10,376 | 173 | 13,534 |
| Net appreciation and other changes | 14,917 | 60,051 | 1,615 | 76,583 |
| Contributions | - | - | 62,099 | 62,099 |
| Appropriation of endowment assets for expenditure | - | (8,500) | - | (8,500) |
| Other changes | - | (5,500) | (25,303) | (30,803) |
| Total changes | <u>17,902</u> | <u>56,427</u> | <u>38,584</u> | <u>112,913</u> |
| Endowment net assets - | | | | |
| June 30, 2014 | <u>\$ 134,494</u> | <u>\$ 199,003</u> | <u>\$ 549,159</u> | <u>\$ 882,656</u> |

Spending Policy

The Foundation has a policy of making no distributions from the endowment until it reaches \$1,000,000 or with a two-thirds majority of the Board.

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EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

14. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statements 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 and liabilities measured on recurring bases at June 30, 2014 are as follows:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 3</u> |
|---|-----------------------|----------------|----------------|
| June 30, 2014 | | | |
| Assets: | | | |
| Investments: | | | |
| Fixed income - corporate | \$ 392,983 | \$ 392,983 | \$ - |
| Fixed income - government | 72,276 | 72,276 | - |
| Common stock | 890,489 | 890,489 | - |
| Investments held for charitable remainder annuity trust | 339,621 | 339,621 | - |
| Liabilities: | | | |
| Obligation under charitable remainder annuity trust | (308,928) | (339,621) | 30,693 |

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EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

14. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets and liabilities measured on recurring bases at June 30, 2013 are as follows:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 3</u> |
|---|-----------------------|----------------|----------------|
| June 30, 2013 | | | |
| Assets: | | | |
| Investments: | | | |
| Fixed income - corporate | \$ 213,186 | \$ 213,186 | \$ - |
| Fixed income - government | 130,563 | 130,563 | - |
| Fixed income - other | 133,628 | 133,628 | - |
| Common stock | 773,948 | 773,948 | - |
| Investments held for charitable remainder annuity trust | 324,785 | 324,785 | - |
| Liabilities: | | | |
| Obligation under charitable remainder annuity trust | (297,951) | (324,785) | 26,834 |

Fair values for investments, including investments held for a charitable remainder trust, are determined by reference to quoted market prices and other relevant information generated by market transactions. The obligation under the charitable remainder annuity trust is determined based on assets held for investments, less an annual fee due to the Foundation using an income approach.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include the reduction in the liability under charitable remainder annuity trust for the computed fee due to the Foundation:

| | <u>2014</u> | <u>2013</u> |
|--|------------------|------------------|
| Balance at beginning of year | \$ 26,834 | \$ 23,587 |
| 1% annual fee due to Equity Foundation | <u>3,859</u> | <u>3,247</u> |
| Balance at end of year | <u>\$ 30,693</u> | <u>\$ 26,834</u> |

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