

**P**ORTLAND **S**CHOOLS **F**OUNDATION

**YEARS ENDED JUNE 30, 2007 AND 2006**

# PORTLAND SCHOOLS FOUNDATION

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YEARS ENDED JUNE 30, 2007 AND 2006

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# GEFFEN MESHER

& COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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Board of Directors  
Portland Schools Foundation  
Portland, Oregon

We have audited the accompanying statements of financial position of Portland Schools Foundation as of June 30, 2007 and 2006, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Portland Schools Foundation as of June 30, 2007 and 2006, and the results of its activities and changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Geffen Masher & Company P.C.*

March 5, 2008



# PORTLAND SCHOOLS FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

June 30,	2007	2006
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,254,431	\$ 1,609,398
Investments		1,781,435
Accounts receivable	14,257	65,025
Prepaid expenses and other	14,358	15,382
Total current assets	3,283,046	3,471,240
<b>Furniture and equipment</b>	186,420	165,982
<b>Less accumulated depreciation</b>	83,893	63,375
	102,527	102,607
<b>Beneficial interest in assets held by others</b>	88,136	76,390
<b>Total assets</b>	<b>\$ 3,473,709</b>	<b>\$ 3,650,237</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Funds due to district	\$ 206,316	\$ 220,081
Grants payable	505,893	
Accounts payable, PPS		1,392,250
Refundable advances	1,812,588	667,774
Other	182,797	145,783
Total liabilities (all current)	2,707,594	2,425,888
<b>Net assets</b>		
Unrestricted		
Board designated	56,000	56,000
Undesignated	( 67,717)	200,736
Unrestricted net assets	( 11,717)	256,736
Temporarily restricted	777,832	967,613
<b>Total net assets</b>	<b>766,115</b>	<b>1,224,349</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,473,709</b>	<b>\$ 3,650,237</b>

**PORTLAND SCHOOLS FOUNDATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

Years Ended June 30,	2007			2006		
	Unrestricted	Temporarily restricted (Note 4)	Total	Unrestricted	Temporarily restricted (Note 4)	Total
<b>Revenues</b>						
Individual contributions	\$ 2,676,073	\$ 51,399	\$ 2,727,472	\$ 2,931,777	\$ 48,933	\$ 2,980,710
Events contributions and support	255,250	24,964	280,214	367,451		367,451
Contributions and support, inkind	1,754,557		1,754,557	1,552,645		1,552,645
Corporate contributions	290,434	226,380	516,814	314,102	210,053	524,155
Foundation grants	3,545,867	238,243	3,784,110	4,452,108	352,439	4,804,547
Investment income and losses	139,830	14,795	154,625	40,884	68,613	109,497
Grant refunds	49,016		49,016	24,892		24,892
Public funding				142,651	199,928	342,579
Other income	62,072		62,072	44,614		44,614
	8,773,099	555,781	9,328,880	9,871,124	879,966	10,751,090
Less grant raised on behalf of Portland Public Schools	( 1,545,193)		( 1,545,193)			
Less amounts raised on behalf of local schools	( 1,727,653)		( 1,727,653)	( 1,855,782)		( 1,855,782)
Net contributions	5,500,253	555,781	6,056,034	8,015,342	879,966	8,895,308
<b>Net assets released from restrictions</b>						
Satisfaction of program restrictions	745,562	( 745,562)		439,355	( 439,355)	
Total revenue	6,245,815	( 189,781)	6,056,034	8,454,697	440,611	8,895,308
<b>Expenses</b>						
<b>Grants and awards</b>	869,318		869,318	623,580		623,580
<b>Program initiatives</b>						
Public Outreach and Education	391,926		391,926	360,861		360,861
Teaching and Learning Transformation	1,164,872		1,164,872	2,108,783		2,108,783
Out-of-School Youth	293,449		293,449	237,092		237,092
Youth Innovation Fund				55,673		55,673
Community and Parent Engagement	370,299		370,299	212,651		212,651
District Redesign	329,839		329,839	1,900,650		1,900,650
Spencer Planning Grant				5,321		5,321
Public Education Network Grant	25,560		25,560			
Other	30,858		30,858	66,780		66,780
Total program initiative expenses	2,606,803		2,606,803	4,947,811		4,947,811

(Continued)

# PORTLAND SCHOOLS FOUNDATION

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

Years Ended June 30,	2007			2006		
	Unrestricted	Temporarily restricted (Note 4)	Total	Unrestricted	Temporarily restricted (Note 4)	Total
<b>Sponsored projects</b>						
Schoolhouse Supplies	2,181,470		2,181,470	1,866,563		1,866,563
Closing the Achievement Gap	114,648		114,648	118,077		118,077
Study Dog				2,436		2,436
Courage to Teach	246		246	34,342		34,342
Workforce Development	104,332		104,332	111,336		111,336
Classroom Music Project	2,375		2,375	6,425		6,425
PACT Center	10,670		10,670	11,149		11,149
High School Devo Project	4,376		4,376			
Learning Gardens	17,210		17,210	2,946		2,946
Other	1,512		1,512			
<b>Total sponsored project expenses</b>	<b>2,436,839</b>		<b>2,436,839</b>	<b>2,153,274</b>		<b>2,153,274</b>
<b>Fundraising</b>	366,361		366,361	396,092		396,092
<b>Administrative</b>	234,947		234,947	161,235		161,235
<b>Total expenses</b>	<b>6,514,268</b>		<b>6,514,268</b>	<b>8,281,992</b>		<b>8,281,992</b>
<b>Change in net assets</b>	( 268,453)	( 189,781)	( 458,234)	172,705	440,611	613,316
<b>Net assets at beginning of year</b>	256,736	967,613	1,224,349	84,031	527,002	611,033
<b>Net assets at end of year</b>	<b>(\$ 11,717)</b>	<b>\$ 777,832</b>	<b>\$ 766,115</b>	<b>\$ 256,736</b>	<b>\$ 967,613</b>	<b>\$ 1,224,349</b>

**PORTLAND SCHOOLS FOUNDATION**  
**STATEMENTS OF CASH FLOWS**

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<b>Years Ended June 30,</b>	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>		
Change in net assets	(\$ 458,234)	\$ 613,316
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</b>		
Depreciation	21,930	18,489
Realized gain on sale of investments	( 38,741)	
Unrealized gain on endowment fund	( 11,746)	( 6,406)
<b>Net change in operating assets and liabilities</b>		
Accounts receivable	50,768	107,553
Prepaid expenses and other	1,024	( 1,362)
Funds due to district	( 13,765)	( 29,758)
Grants payable	505,893	
Accounts payable, PPS	( 1,392,250)	1,392,250
Refundable advances	1,144,814	667,774
Other liabilities	37,014	42,225
<b>Net cash provided by (used in) operating activities</b>	<b>( 153,293)</b>	<b>2,804,081</b>
<b>Cash flows from investing activities</b>		
Unrealized gains from marketable securities		( 32,369)
Proceeds from sale of investments	4,425,000	11,729,920
Purchases of investments	( 2,604,824)	( 13,478,986)
Purchases of furniture and equipment	( 21,850)	( 23,500)
<b>Net cash provided by (used in) investing activities</b>	<b>1,798,326</b>	<b>( 1,804,935)</b>
<b>Net change in cash and cash equivalents</b>	<b>1,645,033</b>	<b>999,146</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,609,398</b>	<b>610,252</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 3,254,431</b>	<b>\$ 1,609,398</b>

# PORTLAND SCHOOLS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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YEARS ENDED JUNE 30, 2007 AND 2006

### 1. Summary of significant accounting policies and purpose of the Foundation

#### **Purpose of the Foundation**

The Portland Schools Foundation is an independent, community-based organization that mobilizes the money, leadership, new ideas and the political support necessary to ensure a first rate public education for every child, in every school, in every Portland neighborhood. "Whatever it takes."

#### **Concentrations of credit risk**

Contributions are received from individuals and corporations located primarily in Oregon and from foundations located in the United States.

The Foundation has cash deposited with a high credit quality bank which may exceed depository insurance limits. The Foundation has not incurred any credit related losses.

#### **Cash and cash equivalents**

Cash and cash equivalents consists of short-term, highly liquid investments with original maturities of 90 days or less.

#### **Investments**

Investments are comprised of government securities with maturities of less than one year. The government securities are stated at cost which approximates fair value. Unrealized gains or losses on those securities are included in the results of operations. The use of certain investments is limited to satisfying conditions related to refundable advances (Note 8).

#### **Furniture and equipment**

Furniture and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. The Foundation capitalizes assets with a cost exceeding \$750.

#### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions.

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.

#### **Board designated unrestricted net assets**

The Foundation's Board of Directors has set aside unrestricted net assets of \$56,000 as of June 30, 2007 and 2006, respectively, for the purpose of funding future grants.

#### **Restricted support and revenue**

Restricted contributions, gains, and investment income whose restrictions are met in the same reporting period are reported as unrestricted revenues.

# PORTLAND SCHOOLS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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YEARS ENDED JUNE 30, 2007 AND 2006

### 1. Summary of significant accounting policies and purpose of the Foundation (continued)

#### Donated goods

Donated goods are related principally to the Schoolhouse Supplies program. Amounts reflected in the financial statements for donated goods are recognized at fair value as revenue and expense at the date the products are selected by the recipient. Donated goods estimated at \$1,724,600 and \$1,552,600, were recorded as revenue and awarded to recipients in the years ended June 30, 2007 and 2006, respectively.

#### Use of estimates in the financial statements

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 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.

#### Reclassifications

Certain 2006 balances have been reclassified in order to conform to the 2007 presentation.

### 2. Contributed advertising services

Contributed advertising services are recognized in the financial statements if they are specialized skills that would typically need to be purchased if not provided by donations. Contributed advertising services are valued at prevailing market rates and are recorded as contributions. The Foundation recorded approximately \$30,000 and \$11,000 in contributed advertising related to general administration in each of the years ended June 30, 2007 and 2006.

### 3. Beneficial interest in assets held by others

Beneficial interest in assets held by others represents investments held by the Oregon Community Foundation (“OCF”). Variance power was not granted to OCF unless the Foundation ceases to exist or loses its tax-exempt status. Distributions are made at least annually based on a percentage determined by the board of directors of OCF under its grant percentage payout policy for permanent funds.

**PORTLAND SCHOOLS FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**YEARS ENDED JUNE 30, 2007 AND 2006**

**4. Temporarily restricted net assets**

Temporarily restricted net assets are subject only to purpose restrictions. The components of temporarily restricted net assets as of June 30, 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Grants and Awards	\$ 4,664	\$ 23,152
District Redesign	141,359	240,752
Teaching and Learning Transformation		48,932
Out-of-School Youth		250,393
Schoolhouse Supplies	332,852	195,730
Courage to Teach	7,318	2,639
Workforce Development	92,273	69,105
Arts Alive		20,810
Oregon Department of Education	55,351	15,921
Jean's Farm	34,310	
Other	21,569	23,789
Investments held by others	88,136	76,390
	<b>\$ 777,832</b>	<b>\$ 967,613</b>

**5. Commitments**

The Foundation entered into a new facility lease in November 2004. The lease expires September 2009 and has a five-year option to renew. The Foundation is responsible for certain taxes and operating expenses under the lease agreement. Future minimum lease payments under the leases for fiscal years ending subsequent to June 30, 2007 are as follows:

<b>Year ending June 30,</b>	
2008	\$ 89,500
2009	92,200
2010	23,200
	<b>\$ 204,900</b>

Lease expense was approximately \$130,900 and \$132,700 for the years ended June 30, 2007 and 2006, respectively.

# PORTLAND SCHOOLS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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YEARS ENDED JUNE 30, 2007 AND 2006

### 6. Income taxes

The Foundation is a not-for-profit entity and is exempt from paying income taxes under the Internal Revenue Code Section 501(c)(3). Management believes that none of its activities are subject to unrelated business income taxes; therefore, no provision for income taxes has been made in the accompanying financial statements.

### 7. Retirement plan

During 2005, the Foundation established a retirement plan. All employees of the Foundation are eligible for the Foundation's retirement plan. Employees that meet certain requirements and complete 1,000 hours of service are eligible for employer contributions under the plan. During the years ended June 30, 2007 and 2006, the Foundation contributed approximately \$25,300 and \$21,500, respectively, to the plan. The contribution percentage is three percent of eligible compensation.

### 8. Conditional promises to give and refundable advances (concentration of risk)

In 2007 and 2006, the Foundation was awarded \$50,000 and \$9,235,396, respectively, from other charitable foundations, which constituted a concentration of risk related to revenues in 2006. The contributions are contingent upon the Foundation expending certain qualifying costs. Several are payable in installments over a two to three year period. In 2007 and 2006, the Foundation received \$2,829,938 and \$4,889,323, respectively, and expended \$1,685,123 and \$4,221,549, respectively. These transactions resulted in refundable advances of \$1,812,588 and \$667,774 as of June 30, 2007 and 2006, respectively. The remaining conditional promises to give are \$1,603,635 and \$4,346,073 as of June 30, 2007 and 2006, respectively.

### 9. Related party transactions

The Foundation raises funds on behalf of the Portland Public School District ("PPS") and engages in other activities that benefit PPS. As of June 30, 2007 and 2006, the Foundation owed PPS approximately \$206,000 and \$1,612,500, respectively. The Foundation distributed approximately \$1,728,000 and \$1,856,000 of funds raised to PPS during 2007 and 2006, respectively. During 2007 and 2006, the Foundation also paid PPS \$1,063,900 and \$2,618,500, respectively under its District Redesign and Teaching and Learning Transformation Program grants, and also in 2007, \$1,545,000 of grant funds raised on behalf of PPS.