

Foundations for a Better Oregon

Financial Statements and Other Information
as of and for the Year Ended December 31, 2009
and Report of Independent Accountants

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President's Report

In 2009, the Chalkboard project made a bold move and revised its strategic plan to focus primarily on efforts that help strengthen teacher effectiveness. In our first five years, we had invested in a number of different projects across the areas of quality, school finance, and accountability. We will continue to work in those areas, but the research is clear; the teacher has the most significant impact on a student's achievement in the classroom.

The CLASS Project, which grew to twelve districts in 2009, continues to be our primary model for impacting the effectiveness of Oregon's teachers. An Oregon-born, teacher-led initiative, CLASS provides a framework for districts to create comprehensive models to strengthen teacher effectiveness and raise student achievement. Sherwood, Tillamook and Forest Grove school districts are all showing initial signs of success after their first full year of implementing expanded career paths, relevant professional development, effective performance evaluations, and new compensation models. Each CLASS model is different and serves the unique needs of its students, staff and community. All three districts have recognized the ways in which CLASS is transforming their cultures of teaching and learning to the benefit of student achievement. The new nine districts began their planning in the fall of 2009 and will have implementation blueprints completed by the summer of 2010. Our list

of funders for the CLASS Project has grown as well with grants from Chalkboard's supporting foundations as well as multiple businesses and individuals. We will also be applying for federal dollars to fund the implementation plans of the new nine districts.

Success in the legislature in 2009 came with the passage of Senate bill 443. This legislation created a professional development clearinghouse that will provide districts with listings of standards-based, high quality professional development programs for educators. Chalkboard also helped to secure funding for the Oregon New Teacher Mentoring Program which now serves over 720 new teachers and administrators in 107 of Oregon's 198 school districts. The professional development clearinghouse and the mentoring program will help ensure that all of Oregon's teachers are receiving the high quality support and resources they need to do their best work in the classroom.

We continued our research in 2009 on the disparities in student achievement among different student populations. In partnership with ECONorthwest, we released a report on the Hispanic-white achievement gap in Oregon. Throughout the year we presented the report to variety of organizations and helped to coordinate conversations among community groups. We will continue to provide clear data about the issues Oregon's schools face.

Continued

The Kellogg Foundation, interested in the impact of civic engagement on public policy, is now conducting a retrospective and prospective evaluation of our efforts. We expect the evaluation, which should be complete by the Summer of 2010, to provide insight on our impact in the policy process as well as suggestions for how to continue to move school reform efforts forward.

We know that if all Oregon students have access to the best teachers and all Oregon teachers have the support and resources to be their best, we can help make Oregon's schools among the top ten in the nation. Especially in these tough economic times, we

need to ensure that we are funding efforts in our schools that have the greatest impact on student achievement. We believe, and the early results show, that CLASS is a framework that meets high standards while providing local districts with the ownership and flexibility they need to be successful. This work around effective teaching is now the cornerstone of our organization's efforts and could be the cornerstone of Oregon's efforts to serve the needs to all of its students. If we want a world-class education system, we must invest in world-class teachers.

Sue Hildick
*President, Chalkboard Project and
Foundations for a Better Oregon*

March 31, 2010

REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
Foundations for a Better Oregon:*

We have audited the accompanying statement of financial position of Foundations for a Better Oregon as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Foundations for a Better Oregon's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Foundations for a Better Oregon as of December 31, 2008 and, in our report dated April 2, 2009, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Foundations for a Better Oregon'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 2009 financial statements referred to above present fairly, in all material respects, the financial position of Foundations for a Better Oregon as of December 31, 2009 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.



April 7, 2010

FOUNDATIONS FOR A BETTER OREGON

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009

(WITH COMPARATIVE AMOUNTS FOR 2008)

	2009	2008
Assets:		
Cash	\$ 968,264	496,476
Grants receivable (<i>note 3</i>)	1,646,000	1,290,000
Other contributions receivable	3,670	670
Prepaid expenses	6,342	3,117
Other assets	5,602	5,602
Investments (<i>note 4</i>)	507,944	905,403
Property and equipment (<i>note 5</i>)	76,292	90,228
Total assets	\$ 3,214,114	2,791,496
Liabilities:		
Accounts payable and accrued expenses	68,822	131,445
Accrued payroll and related expenses	14,338	2,386
Total liabilities	83,160	133,831
Net assets:		
Unrestricted:		
Available for programs and general operations	714,094	356,004
Net investment in capital assets	76,292	90,228
Total unrestricted	790,386	446,232
Temporarily restricted (<i>note 6</i>)	2,340,568	2,211,433
Total net assets	3,130,954	2,657,665
Commitments and contingencies (<i>notes 9, 10 and 11</i>)		
Total liabilities and net assets	\$ 3,214,114	2,791,496

See accompanying notes to financial statements.

FOUNDATIONS FOR A BETTER OREGON

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009			2008
	Unrestricted	Temporarily restricted	Total	
Revenues, gains and other support:				
Grants and contributions	\$ 254,335	2,303,670	2,558,005	2,092,255
Dividend and interest income	5,759	2,530	8,289	57,974
Net appreciation in the fair value of investments	–	11	11	405
Total revenues and gains	260,094	2,306,211	2,566,305	2,150,634
Net assets released from restrictions (<i>note 7</i>)	2,177,076	(2,177,076)	–	–
Total revenues, gains and other support	2,437,170	129,135	2,566,305	2,150,634
Expenses (<i>note 8</i>):				
Program services	1,878,531	–	1,878,531	2,441,592
Management and general	136,598	–	136,598	163,733
Fundraising	77,887	–	77,887	69,383
Total expenses	2,093,016	–	2,093,016	2,674,708
Increase (decrease) in net assets	344,154	129,135	473,289	(524,074)
Net assets at beginning of year	446,232	2,211,433	2,657,665	3,181,739
Net assets at end of year	\$ 790,386	2,340,568	3,130,954	2,657,665

See accompanying notes to financial statements.

FOUNDATIONS FOR A BETTER OREGON

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009			Total	2008
	Program services	Supporting services Management and general	Fund-raising		
Salaries and related expenses	\$ 311,831	68,720	5,976	386,527	423,102
Professional services:					
Communications	102,762	31,514	2,740	137,016	221,635
Best practices research	102,144	—	—	102,144	180,146
Government relations	95,199	—	—	95,199	105,825
Public awareness media	1,273	—	—	1,273	60,266
Legal services	2,811	540	47	3,398	9,079
Other professional services	133,452	12,566	67,101	213,119	304,672
Consultants	313,030	—	—	313,030	206,994
Grants	690,016	—	—	690,016	1,038,940
Postage	3,757	931	81	4,769	4,448
Printing and publications	5,714	1,069	93	6,876	13,320
Travel	27,214	3,689	321	31,224	33,642
Supplies	5,377	1,174	102	6,654	4,478
Insurance	2,872	661	58	3,591	3,268
Meetings and conferences	19,478	2,890	251	22,619	18,979
Staff development	5,172	1,201	104	6,477	835
Telephone	2,106	443	39	2,588	1,748
Equipment rental and maintenance	4,661	643	56	5,360	5,837
Rent	23,900	5,462	475	29,837	18,040
Depreciation and amortization	18,628	4,466	388	23,482	15,955
Other expenses	7,134	629	55	7,818	3,499
Total expenses	\$ 1,878,531	136,598	77,887	2,093,016	2,674,708

See accompanying notes to financial statements.

FOUNDATIONS FOR A BETTER OREGON

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009	2008
Cash flows from operating activities:		
Cash received from grants and contributions	\$ 2,199,005	1,077,636
Cash paid to employees, suppliers and contractors	(2,123,430)	(2,645,048)
Cash received for interest	8,289	57,974
Net cash provided by (used in) operating activities	83,864	(1,509,438)
Cash flows from investing activities:		
Purchase of investments	(1,802,883)	(3,907,826)
Proceeds from sale of investments	2,202,883	5,104,103
Reinvestment of dividend and interest income	(2,530)	(44,682)
Equipment purchases	(9,546)	(70,957)
Other asset acquisitions	-	(150)
Net cash provided by investing activities	387,924	1,080,488
Net increase (decrease) in cash	471,788	(428,950)
Cash at beginning of year	496,476	925,426
Cash at end of year	\$ 968,264	496,476

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

1. Organization

Foundations for a Better Oregon (“FBO”) was founded in 2004 by five leading Oregon foundations in an effort to combine their energy and resources to make a bigger impact on Oregon’s quality of life than they could accomplish individually. The five foundations – The Collins Foundation, The Ford Family Foundation, The Jeld-Wen Foundation, The Meyer Memorial Trust, and The Oregon Community Foundation – were joined by a sixth foundation, The James F. and Marion L. Miller Foundation, in late 2007.

Currently, FBO operates a single initiative, “The Chalkboard Project,” to unite Oregonians to make the state’s public schools among the best in the nation. The Chalkboard Project has been organized by Oregonians who believe that every public school student deserves a quality education that will lead to success in college, in the workplace and in life.

2. Summary of Significant Accounting Policies

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

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

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

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of FBO and/or the passage of time. These balances represent the unexpended portion of externally restricted contributions to be used for specific programs and activities.

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

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

In-Kind Contributions – A number of unpaid volunteers have made significant contributions of their time to develop and implement FBO's programs. In accordance with FASB ASC No. 958-605, significant services received which create or enhance a nonfinancial asset or require specialized skills that FBO would have purchased if not donated are recognized in the statement of activities.

In-kind contributions of land, buildings, equipment, and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of FBO's activities.

During the year ended December 31, 2009, FBO recorded no in-kind contributions.

Investments – All investments are carried at fair market value. The net change in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is reported in the statement of activities. Investment income is accrued as earned, and reported net of investment advisory fees. Security transactions are recorded on a trade date basis.

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

Capital Assets and Depreciation – Property and equipment are carried at cost, and at market value when acquired by gift. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the respective assets, which are generally three years.

Revenue Recognition – All contributions and grants are considered available for the unrestricted general operations of FBO unless specifically restricted by a donor.

Advertising Expenses – Advertising and marketing costs, representing primarily costs incurred to expand the region's awareness of FBO's programs and activities, are charged to expense as they are incurred. For the year ended December 31, 2009, advertising expenses totaled \$1,273, classified as "professional services" on the accompanying statement of functional expenses.

Concentrations of Credit Risk – FBO's investments consist primarily of financial instruments including money market funds and certificates of deposit. These financial instruments may subject FBO to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"), the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values. At December 31, 2009, FBO held approximately \$483,654 in cash balances in excess of FDIC insured levels.

On October 3, 2008, the Emergency Economic Stabilization Act was signed into law, which temporarily raises the basic limit on federal deposit insurance coverage from \$100,000 to \$250,000 per depositor. The temporary increase became effective immediately upon the President's signature and will remain in effect through December 31, 2013. In addition, unlimited deposit insurance coverage is provided through June 30, 2010 by the FDIC for non-interest bearing transaction accounts at institutions participating in the FDIC's Transaction Guaranty Program.

Certain receivables also may, from time to time, subject FBO to concentrations of credit risk. To minimize its exposure to significant losses donor insolvencies, the organization's management evaluates the financial condition of its members and sponsors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are presented net of an allowance for uncollectible accounts.

Subsequent Events – As required by FASB ASC No. 855, *Subsequent Events*, subsequent events have been evaluated by management through April 7, 2010, which is the date the financial statements were available to be issued.

Income Taxes – FBO is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law.

Summarized Financial Information for 2008 – The accompanying financial information as of and for the year ended December 31, 2008 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

3. Grants Receivable

Grants receivable at December 31, 2009 are summarized as follows:

<i>Unconditional promises</i>	
<i>expected to be collected in:</i>	
Less than one year	\$ 1,181,000
One year to five years	465,000
	\$ 1,646,000

Conditional Grants Receivable:

At December 31, 2009, FBO held five conditional grants receivable totaling \$1,106,000. These receivables have not been recorded in the accompanying financial statements because the associated conditions had not yet been fully satisfied as of December 31, 2009.

4. Investments

At December 31, 2009, investments, held for the CLASS project, are carried at fair value and consist of the following:

Certificates of deposit	\$ 150,010
Money market funds invested in government- backed securities	357,934
	\$ 507,944

Fixed income instruments are reported at quoted market prices. Investments in money market funds are reported at values quoted by the issuers.

5. Property and Equipment

A summary of property and equipment at December 31, 2009, is as follows:

Furniture and fixtures	\$	21,449
Website development		93,604
		<hr/>
		115,053
Less accumulated depreciation and amortization		(38,761)
		<hr/>
	\$	76,292

6. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets at December 31, 2009 represent contributions, grants and other unexpended revenues and gains available for the following:

CLASS project	\$	656,690
Impact analysis		230,208
For general operating purposes in future periods		1,453,670
		<hr/>
	\$	2,340,568

7. Net Assets Released from Restrictions

During the year ended December 31, 2009, restrictions on contributions in the amount of \$2,177,076 expired or were otherwise satisfied by the organization's expenditures in satisfaction of the restricted purposes, or by the occurrence of other events specified by donors.

8. Expenses

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

9. Grant Commitments

As of December 31, 2009, FBO had awarded \$319,984 in conditional grants to five school districts and one nonprofit organization. The ultimate disbursement of these grant funds was conditioned upon the successful completion of agreed upon benchmarks. Accordingly, these grant expenses have not been included in the accompanying financial statements because the associated conditions had not been met as of December 31, 2009.

10. Employee Retirement Benefits

FBO has adopted a qualified retirement plan as described under Section 401(k) of the Internal Revenue Code. Employees who have completed at least 90 days with FBO may elect to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law. FBO makes matching contributions of 100% of the employees' contributions to the plan up to 5.0% of the annual compensation of each eligible employee. Employees are eligible for employer matching contributions after one year of eligibility service. In addition, FBO elected to make an additional non-elective contribution of 3.0% of the annual compensation of each non-highly compensated employee to meet Internal Revenue Code nondiscrimination requirements. Employees select from several investment options. Contributions to the plan from employees and FBO are 100% vested as contributed. Contributions to the plan by FBO totaled \$12,341 for the year ended December 31, 2009.

Effective January 1, 2010, FBO amended the plan as a "safe harbor" plan. Under the amended plan, employees are eligible to make deferrals to the plan after one year while the vesting and matching provisions of the plan remain unchanged.

11. Concentration of Revenue

As described in note 1, FBO's principal funding is provided by five private foundations and a community foundation. During the year ended December 31, 2009, the contributions from these foundations totaled \$1,716,000, which represented 66.9% of the organization's revenues.

12. Fair Value Measurements

The accompanying financial statements report the organization's investments at fair value. These assets have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

At December 31, 2009, the organization's financial assets that are reported at market value on a recurring basis consist of investments which are measured at fair value on a recurring basis using quoted prices for similar assets (i.e., Level 1).

13. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 473,289
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation and amortization	23,482
Net appreciation in the fair value of investments	(11)
<i>Net changes in:</i>	
Grants receivable	(356,000)
Other receivables	(3,000)
Prepaid expenses	(3,225)
Accounts payable and accrued expenses	(62,623)
Accrued payroll and related expenses	11,952
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Total adjustments	(389,425)
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Net cash provided by operating activities	\$ 83,864
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GOVERNING BOARD AND MANAGEMENT

Board Members

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Duncan Campbell, *Vice Chair*

Rod Wendt, *Vice Chair*

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Truman Collins, *Secretary*

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Bill Early

Jerry Hudson

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Norm Smith

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Charlie Walker

Management

Sue Hildick, *President*

FOUNDATIONS FOR A BETTER OREGON

INQUIRIES AND OTHER INFORMATION

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