



**S M A R T**  
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Financial Statements and Other Information  
as of and for the Year Ended June 30, 2011  
and Report of Independent Accountants

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**REPORT OF INDEPENDENT ACCOUNTANTS**

*The Board of Directors  
Oregon Children's Foundation:*

We have audited the accompanying statement of financial position of the Oregon Children's Foundation (dba "SMART") as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of SMART'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 SMART as of June 30, 2010 and, in our report dated September 9, 2010, we expressed an unqualified opinion on those financial 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 SMART'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 2011 financial statements referred to above present fairly, in all material respects, the financial position of SMART as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.



October 19, 2011

## S M A R T

**STATEMENT OF FINANCIAL POSITION**

JUNE 30, 2011

(WITH COMPARATIVE AMOUNTS FOR 2010)

	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 611,047	549,988
Contributions and grants receivable ( <i>note 3</i> )	576,991	818,196
Book inventory	6,300	19,944
Prepaid expenses and other assets	51,944	37,974
Investments ( <i>note 4</i> )	745,837	942,501
Beneficial interest in assets held by the Oregon Community Foundation ( <i>note 5</i> )	1,057,888	879,962
Furniture and equipment ( <i>note 6</i> )	54,949	77,618
<b>Total assets</b>	<b>\$ 3,104,956</b>	<b>3,326,183</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	124,527	112,513
Deferred revenue	500	1,719
<b>Total liabilities</b>	<b>125,027</b>	<b>114,232</b>
<b>Net assets:</b>		
Unrestricted:		
Available for programs and general operations	1,283,010	1,442,142
Designated by Board for endowment ( <i>note 7</i> )	782,644	651,673
Net investment in capital assets	54,949	77,618
<b>Total unrestricted</b>	<b>2,120,603</b>	<b>2,171,433</b>
Temporarily restricted ( <i>note 7</i> )	668,466	849,658
Permanently restricted ( <i>note 7</i> )	190,860	190,860
<b>Total net assets</b>	<b>2,979,929</b>	<b>3,211,951</b>
Commitments ( <i>note 12</i> )		
<b>Total liabilities and net assets</b>	<b>\$ 3,104,956</b>	<b>3,326,183</b>

See accompanying notes to financial statements.

SMART

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE TOTALS FOR 2010)

	<b>2011</b>			<b>Total</b>	<b>2010</b>
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>		
<b>Revenues, gains, and other support:</b>					
Contributions and grants <i>(note 8)</i>	\$ 1,759,624	412,523	–	2,172,147	2,083,005
Investment income	19,104	–	–	19,104	33,293
Net appreciation in the fair value of investments	134,874	–	–	134,874	77,739
Net change in beneficial interest in assets held by the Oregon Community Foundation <i>(note 5)</i>	130,971	46,955	–	177,926	80,003
Other revenue	22,995	–	–	22,995	28,706
<b>Total revenues and gains</b>	<b>2,067,568</b>	<b>459,478</b>	<b>–</b>	<b>2,527,046</b>	<b>2,302,746</b>
Net assets released from restrictions <i>(note 10)</i>	640,670	(640,670)	–	–	–
<b>Total revenues, gains, and other support</b>	<b>2,708,238</b>	<b>(181,192)</b>	<b>–</b>	<b>2,527,046</b>	<b>2,302,746</b>
<b>Expenses <i>(note 11):</i></b>					
SMART program	2,273,306	–	–	2,273,306	2,317,231
Management and general	238,591	–	–	238,591	238,734
Fundraising	247,171	–	–	247,171	288,476
<b>Total expenses</b>	<b>2,759,068</b>	<b>–</b>	<b>–</b>	<b>2,759,068</b>	<b>2,844,441</b>
Decrease in net assets	(50,830)	(181,192)	–	(232,022)	(541,695)
Net assets at beginning of year	2,171,433	849,658	190,860	3,211,951	3,753,646
Net assets at end of year	\$ 2,120,603	668,466	190,860	2,979,929	3,211,951

See accompanying notes to financial statements.

SMART

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE TOTALS FOR 2010)

	2011				2010
	SMART program	Manage- ment and general	Fund- raising	Total	
Salaries and related expenses	\$ 1,152,387	172,288	176,204	1,500,879	1,528,883
Volunteer coordinators ( <i>note 9</i> )	456,941	-	-	456,941	450,724
Background checks	50,144	-	-	50,144	51,610
Books	145,525	-	-	145,525	174,637
Occupancy	81,033	8,675	8,872	98,580	109,322
Professional fees	36,753	20,173	23,790	80,716	103,884
Insurance	19,666	2,105	2,153	23,924	27,476
Office expenses	167,091	17,888	18,295	203,274	185,341
Travel	62,073	6,645	6,796	75,514	60,608
Meetings and events	71,910	7,698	7,873	87,481	105,024
Advertising and promotion	7,837	839	858	9,534	13,868
Other	1,006	38	37	1,081	2,348
Depreciation	20,940	2,242	2,293	25,475	30,716
<b>Total expenses</b>	<b>\$ 2,273,306</b>	<b>238,591</b>	<b>247,171</b>	<b>2,759,068</b>	<b>2,844,441</b>

See accompanying notes to financial statements.

S M A R T

**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE TOTALS FOR 2010)

	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Cash received from contributors and grantors	\$ 1,900,882	2,474,643
Cash received from other sources	26,776	30,225
Cash received from interest and dividends	19,104	33,293
Cash paid to employees and suppliers	(2,214,435)	(2,309,758)
<hr/>		
Net cash provided by (used in) operating activities	(267,673)	228,403
<hr/>		
<b>Cash flows from investing activities:</b>		
Purchases of capital assets	(2,806)	(35,328)
Proceeds from sale of investments	350,000	-
Reinvested investment earnings	(18,462)	(34,374)
Transfer to the Oregon Community Foundation	-	(15,354)
<hr/>		
Net cash provided by (used in) investing activities	328,732	(85,056)
<hr/>		
Increase in cash and cash equivalents	61,059	143,347
Cash and cash equivalents at beginning of year	549,988	406,641
<hr/>		
Cash and cash equivalents at end of year	\$ 611,047	549,988

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2011

**1. Organization**

The Oregon Children's Foundation (dba "SMART") is a private, nonprofit organization located in Portland, Oregon and founded in 1991. We envision an Oregon where every child can read and is empowered to succeed. Our mission is to engage community volunteers to read one-on-one with pre-K-3 children who need literacy support. Participating children also receive new books each month to keep and read with their families. Since 1992, thousands of SMART volunteers have been inspiring little readers through storytelling. Together with support from the community, SMART is building brighter futures for Oregonians big and small.

Research shows that children from low-income families are more likely to need extra help to develop reading skills. For that reason, SMART is committed to reaching children in the public elementary schools serving Oregon's lowest-income populations. SMART operates in schools in which at least 40% of the students participate in the federal free or reduced-price lunch program and include children (1) who struggle with reading at school, (2) who need more individual attention than their teachers can provide, and (3) who do not have books at home or adults with whom to read.

During the year ended June 30, 2011, SMART delivered one-on-one reading support and new books to 7,337 children. Since 1992, SMART has served more than 144,332 children and given away 1.9 million books.

**2. Summary of Significant Accounting Policies**

The significant accounting policies followed by SMART 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** – SMART 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 SMART 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 SMART and/or the passage of time.

- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by SMART. Generally, the donors of these assets permit SMART to use all or part of the income earned on related investments for general or specific purposes.

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 (i.e., pledges), are recognized as revenue in the period the promise was received by SMART. 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 to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Management estimates an allowance for uncollectible contributions receivable based on past collection history and other factors.

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.

**Cash Equivalents** – For purposes of the financial statements, SMART considers all liquid investments having initial maturities of three months or less to be cash equivalents. Cash held as part of SMART’s investment portfolio, and where management’s intention is to use the cash to acquire investments that will be held for the long-term, is classified as investments.

**Investments** – Investments are carried at fair 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. Security transactions are recorded on a trade date basis.

**Inventory** – Inventory consists primarily of a permanent collection of books and is carried at cost if purchased or fair value when donated. Only books purchased or donated in the past three years are carried as inventory.

**Capital Assets and Depreciation** – Capital assets are carried at cost, and at fair value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 3 to 7 years for furniture and equipment.

**Revenue Recognition** – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Bequests are recorded as revenue at the time SMART has an established right to the bequest and the proceeds are measurable. Service revenues are recognized at the time services are provided and the revenues are earned.

**Advertising and Marketing Expenses** – Advertising costs are charged to expense as they are incurred.

**Endowment Funds and Interpretation of Relevant Law** – Effective January 1, 2008, the State of Oregon adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) which governs Oregon charitable institutions with respect to the management, investment and expenditure of donor-restricted endowment funds.

The Board of Directors has interpreted Oregon’s adoption of UPMIFA as requiring SMART to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although SMART has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment’s purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment’s original gift may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, SMART classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as temporarily restricted until those amounts are appropriated for expenditure by SMART in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Any investment return classified as permanently restricted represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

With regard to endowment losses or appropriations in excess of the fair value of the original gift, in accordance with FASB ASC No. 958-320, *Investments – Debt and Equity Securities*, the portion of a donor restricted endowment that is classified as permanently restricted is not reduced by losses on the investments of the fund, except to the extent required by the donor, including losses related to specific investments that the donor requires SMART to hold in perpetuity. Similarly, the amount of permanently restricted net assets is not reduced by SMART’s appropriations from the fund. In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces unrestricted net assets.

In accordance with UPMIFA, the Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its endowment, while also seeking to maintain the long-term purchasing power of the endowment assets. Therefore, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policies of the organization.

During the year ended June 30, 2011, the Board of Directors did not appropriate any funds for expenditure.

**Concentrations of Credit Risk** – SMART’s financial instruments consist mainly of investments in money market funds, equity funds, bond funds, contributions and grants receivable, and a beneficial interest in assets held by the Oregon Community Foundation (“OCF”).

SMART’s investments may subject SMART 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 assets are subject to changes in market values. All checking and savings accounts, money market deposit accounts and certificates of deposit are insured by the FDIC up to \$250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2011, SMART held \$459,287 in money market funds that were not FDIC insured.

SMART’s beneficial interest in assets held by OCF (see note 5) is subject to changes in the fair values of the underlying assets owned by OCF (from which the value of SMART’s beneficial interest has been derived), and also is dependent on the value of the assets being commensurate with the value of distributions expected to be made to SMART by OCF in future years.

Contributions and grants receivable also subject SMART to concentrations of credit risk. At June 30, 2011, \$412,500 was due from two donors.

**Income Taxes** – SMART is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. In addition, the SMART has been recognized as a public charity under Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code. For tax purposes, SMART’s open audit periods are for the years ended June 30, 2008 through 2010.

SMART has adopted the recognition requirements for uncertain income tax positions as required by FASB ASC No. 740-10, *Income Taxes*. Under this standard, income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

**Subsequent Events** – As required by FASB ASC No. 855, *Subsequent Events*, subsequent events have been evaluated by management through October 19, 2011, which is the date the financial statements were available to be issued.

**Summarized Financial Information for 2010** – The accompanying financial statements as of and for the year ended June 30, 2010, are presented for comparative purposes only and are 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. Contributions and Grants Receivable

Contributions and grants receivable, net, are summarized as follows at June 30, 2011:

<i>Unconditional promises expected to be collected in:</i>	
Less than one year	\$ 533,626
One to five years	61,280
	<hr/> 594,906
Less allowance for doubtful collections	(13,985)
Less discount <sup>1</sup>	(3,930)
	<hr/> \$ 576,991

<sup>1</sup>Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.0%.

### 4. Investments

Investments held by SMART at June 30, 2011 consisted of the following, stated at fair value:

Domestic equity funds	\$ 329,476
Bond funds	249,662
International equity funds	78,084
Mixed assets funds	88,615
	<hr/> \$ 745,837

### 5. Beneficial Interest in Assets Held by the Oregon Community Foundation

SMART has established certain donor-restricted and Board-designated endowment funds at the Oregon Community Foundation ("OCF"). In accordance with FASB ASC No. 958-605, *Revenue Recognition*, SMART accounts for its interest in these funds using the equity method of accounting, which approximates the present value of the estimated expected future cash flow that will inure to SMART.

Changes in SMART's beneficial interest in these funds for the year ended June 30, 2011 are summarized as follows:

Balance at beginning of year	\$ 879,962
Increase in beneficial interest in assets held by the Oregon Community Foundation	177,926
	<hr/> Balance at end of year
	\$ 1,057,888

Under the terms of its agreement with OCF, OCF maintains variance power over, and legal ownership of, these funds. The funds are invested at the discretion of OCF's Board of Directors and are held in a mixture of asset classes designed to maximize return while minimizing risk. OCF's target asset allocation is as follows: 40% equities (both domestic and international); 15% fixed income; 20% marketable alternative investments; 10% private equity; and 15% inflation hedge investments. The valuations disclosed in the above table have been provided by OCF. SMART generally receives periodic distributions of the net investment return earned on these assets (generally 4.5% of the average fair market value of the funds using a trailing 13-quarter average). Additional distributions can be made at any time by the affirmative vote of a majority of the organization's Board of Directors and the approval of OCF. During the year ended June 30, 2011, there were no distributions made to SMART.

At June 30, 2011, investments are held for the following purposes:

Donor-restricted endowment <sup>1</sup>	\$ 275,244
Board-designated endowment	782,644
	<hr/> \$ 1,057,888

<sup>1</sup>Includes accumulated endowment earnings totaling \$84,384 (see note 7).

### 6. Furniture and Equipment

A summary of furniture and equipment at June 30, 2011 is as follows:

Office furniture and equipment	\$ 308,175
Less accumulated depreciation	(253,226)
	<hr/> \$ 54,949

## 7. Restrictions and Limitations on Net Asset Balances

### Board-Designated Net Assets

At June 30, 2011, SMART had designated \$782,644 of unrestricted net assets for long-term investment.

### Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 represent contributions, grants, and other unexpended revenues and gains available for the following:

Unrestricted endowment earnings <sup>1</sup>	\$ 71,071
Endowment earnings restricted for book acquisitions <sup>1</sup>	13,313
Other	15,500
Future periods	568,582
	\$ 668,466

<sup>1</sup> Endowment earnings not yet appropriated for expenditure by the Board of Directors.

### Permanently Restricted Net Assets

At June 30, 2011, SMART held \$190,860 in endowment funds. The investment income earned on the balances of these permanently restricted endowment net assets is restricted or unrestricted as follows:

<i>Income restricted:</i>	
Book fund	\$ 50,000
<i>Income unrestricted:</i>	
Legacy fund	140,860
	\$ 190,860

SMART's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The following summarizes SMART's endowment-related activities for the year ended June 30, 2011:

	Donor-restricted endowment			Board-designated endowment Unrestricted	Total endowment
	Temporarily restricted	Permanently restricted	Total		
Endowment net assets at beginning of year	\$ 37,429	190,860	228,289	651,673	879,962
Net increase in beneficial interest in assets held by the Oregon Community Foundation	46,955	—	46,955	130,971	177,926
Endowment net assets at end of year	\$ 84,384	190,860	275,244	782,644	1,057,888

## 8. Contributions and Grants

Contributions and grants received during the year ended June 30, 2011, are summarized as follows:

Foundations	\$ 487,298
Corporations	544,576
Individuals	549,550
State and local governments	83,253
In-kind (see note 9)	507,470
	<hr/>
	\$ 2,172,147

## 9. In-Kind Contributions

Consistent with the requirements of FASB ASC No. 958-605, *Revenue Recognition*, significant services received which create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not donated are recognized in the statement of activities. In addition, in-kind contributions of equipment, materials, and the free use of facilities are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of SMART's activities.

SMART's in-kind contributions for the year ended June 30, 2011 are summarized as follows:

Volunteer local program coordinators and managers	\$ 456,941
Free use of facilities	44,794
Books	3,814
Other donated materials and services	1,921
	<hr/>
	\$ 507,470

In addition, SMART regularly receives contributed services from a large number of volunteers who assist in program activities and other efforts through their participation in a range of events and by working with SMART staff in a variety of capacities. SMART's management estimates that volunteers donated approximately 101,600 hours of services to SMART during the year ended June 30, 2011, representing a value of approximately \$853,440. Consistent with FASB ASC No. 958-605, *Revenue Recognition*, however, the value of such services has not been recognized in the accompanying financial statements.

## 10. Net Assets Released from Restrictions

During the year ended June 30, 2011, SMART incurred \$640,670 in expenses in satisfaction of the restricted purposes, or by the occurrence of other events, specified by donors.

## 11. Expenses

The costs of providing the various programs and other activities of SMART 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. Costs by natural classification are presented in the statement of functional expenses.

## 12. Operating Leases

SMART leases its administrative offices and certain office equipment under non-cancelable operating leases, which expire in various years through 2015.

At June 30, 2011, SMART's annual lease commitments are payable as follows:

<i>Years ending June 30,</i>	
2012	\$ 66,294
2013	66,294
2014	63,117
2015	53,586
2016	4,465
	<hr/>
	\$ 253,756

Rental expense for the year ended June 30, 2011 totaled \$98,580, including \$44,794 in free use of facilities (see note 9).

## 13. Retirement Plans

Effective December 31, 2009, SMART closed its Section 403(b) deferred annuity plan and established a retirement plan as described in section 401(k) of the Internal Revenue Code. Employees are eligible, after one year of employment and 1,000 hours of service, to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law. Employees select from among several investment options. SMART does not contribute to the plan.

## 14. Fair Value Measurements

Included in the accompanying financial statements are certain financial instruments (primarily investments and a beneficial interest in assets held by the Oregon Community Foundation) carried at fair value. The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

All financial assets and liabilities carried at fair value 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 and the lowest ranking to fair values determined using methodologies and models with unobservable inputs as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

*Continued*

At June 30, 2011, the following financial assets are measured at fair value on a recurring basis:

		Level 1	Level 3	Total
Investments (note 4)	\$	745,837	–	745,837
Beneficial interest in assets held by the Oregon Community Foundation		–	1,057,888	1,057,888
	\$	745,837	1,057,888	1,803,725

At June 30, 2011, SMART's beneficial interest in assets held by the OCF is reported at fair value on a recurring basis under Level 3, representing future cash in-flows to the organization measured at fair value based upon a discounted cash flow analysis of the expected income to be derived from SMART's interest in these assets. Since the discount rate used for this analysis is considered to be identical to the return that market participants would expect on similar assets, the organization has measured the expected cash flows for its beneficial interest as equivalent to the fair value of the underlying assets held and owned by OCF. Management's estimate is based solely on information provided by OCF.

See note 5 for a summary of the beneficial interest in assets held by OCF and the associated activity for the year ended June 30, 2011.

## 15. Reconciliation of Statement of Cash Flows

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

Decrease in net assets	\$ (232,022)
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*Adjustments to reconcile decrease in net assets to net cash used in operating activities:*

Depreciation	25,475
Net appreciation of the fair value of investments	(134,874)
Net change in beneficial interest in assets held by the Oregon Community Foundation	(177,926)
<i>Net changes in:</i>	
Contributions and grants receivable	241,205
Book inventory	13,644
Prepaid expenses and other assets	(13,970)
Accounts payable and accrued expenses	12,014
Deferred revenue	(1,219)

Total adjustments	(35,651)
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Net cash used in operating activities	\$ (267,673)
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**GOVERNING BOARD AND MANAGEMENT**

JUNE 30, 2011

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**Board of Directors**

Charles Wilhoite, *Chair*  
Mary Wilcox, *Vice-Chair*  
Behzad Hosseini, *Treasurer*  
Mary Boyle, *Secretary*  
Joey Harrington  
Bob Hunter  
Elizabeth Large  
Kent Lewis  
Linda Moore  
Eric Parsons  
Patricia C. Smullin  
Janae Sorenson  
Deborah Wilson  
Steve Wynne

**Emeritus Directors**

Gerry Brodsky  
Tom Costabile  
Ruth Ann Dodson  
Bill Early  
Joe Gonyea II  
Katie Hertig  
Sue Hollern  
Irving Levin  
Charles H. Rouse  
Steve Stadum  
Von Summers  
Bill Thorndike, Jr.  
Dan Wieden  
Linda Wright

**Management**

Chris Otis, *Executive Director*  
Neena Nuhring, *Director of Finance & Administration*

S M A R T

## **INQUIRIES AND OTHER INFORMATION**

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### **Administrative offices**

SMART

101 S.W. Market Street  
Portland, Oregon 97201

(971) 634-1634

(971) 634-1361 Fax

(877) 598-4633 SMART Info Line

### **Website**

[www.getsmartoregon.org](http://www.getsmartoregon.org)

