

**SHERIDAN JAPANESE SCHOOL
FOUNDATION**
Sheridan, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2012

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

BOARD OF DIRECTORS

June 30, 2012

OFFICERS

Dick Paay, President
20461 SW Canyon Road
Sheridan, Oregon 97378

Alex Beecher, Vice President
421 Roth Court
Amity, Oregon 97101

Jan Smith, Secretary
23055 Mountain Springs Drive
Sheridan, Oregon 97378

Ann Meyer, Treasurer
500 NE Elm Street
Sheridan, Oregon 97378

MEMBERS

Gail Hall-Pentecost
216 SW Railroad Street
Sheridan, Oregon 97378

EXECUTIVE DIRECTOR

Kathryn Bervin-Mueller
P.O. Box 446
Sheridan, Oregon 97378

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

TABLE OF CONTENTS

June 30, 2012

Page
Number

INTRODUCTORY SECTION

Title Page
Board of Directors
Table of Contents

FINANCIAL SECTION

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet – Governmental Fund	10
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	13
Notes to Basic Financial Statements	14-23
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	24

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Independent Auditor's Report Required by Oregon State Regulations	25-26
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FINANCIAL SECTION



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sheridan Japanese School Foundation
Sheridan, Oregon 97378

We have audited the accompanying financial statements of the governmental activities and the major fund of Sheridan Japanese School Foundation, Sheridan, Oregon, a component unit of Sheridan School District No. 48J, as of and for the year ended June 30, 2012, which collectively comprise the Foundation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sheridan Japanese School Foundation's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of Sheridan Japanese School Foundation as of June 30, 2011 were audited by other auditors, whose report dated October 31, 2011 expressed an unqualified opinion.

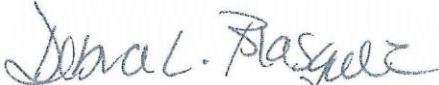
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Sheridan Japanese School Foundation, Sheridan, Oregon as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sheridan Japanese School Foundation's basic financial statements as a whole. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Koontz, Perdue, Blasquez & Co., P.C.

By: 
Debra L. Blasquez, CPA

Albany, Oregon
November 20, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of Sheridan Japanese School Foundation, Sheridan, Oregon, we offer readers this narrative overview and analysis of the financial activities of the Foundation for the fiscal year ended June 30, 2012. It should be read in conjunction with the Foundation's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2012, total net assets of Sheridan Japanese School Foundation amounted to \$552,582. Of this amount, \$160,278 was invested in capital assets, \$34,030 was restricted for various purposes, and the remaining \$358,274 was unrestricted.
- The Foundation's total net assets decreased by \$50,991 during the current fiscal year.
- Overall expenditures were \$583,041, which exceeded total revenues of \$532,050 by \$50,991.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Sheridan Japanese School Foundation's basic financial statements. The Foundation's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Foundation's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Foundation's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

The statement of activities presents information showing how the Foundation's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 8 through 9 of this report.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The only fund of the Foundation is a governmental fund.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the Foundation's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Foundation's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Foundation maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major governmental fund.

Although not required by law, the Foundation prepares an annual budget. Budgetary comparison data is presented in this report solely for informational purposes.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 through 23 of this report.

Other Information

Budgetary comparison information for the General Fund is presented on page 24 of this report.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the Foundation's financial position. At June 30, 2012, the Foundation's assets exceeded liabilities by \$552,582.

A large portion of the Foundation's net assets reflects its investment in capital assets (e.g., leasehold improvements, and equipment). The Foundation uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

Foundation's Net Assets

At the end of the current fiscal year, the Foundation was able to report positive balances in all categories of net assets. The Foundation's net assets decreased by \$50,991 during the current fiscal year.

Condensed statement of net assets information is shown below.

Condensed Statement of Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Current assets	\$ 404,882	\$ 529,430
Restricted assets	29,007	-
Net capital assets	<u>160,278</u>	<u>167,297</u>
Total assets	<u>594,167</u>	<u>696,727</u>
Liabilities		
Current liabilities	<u>41,585</u>	<u>93,154</u>
Net assets		
Invested in capital assets	160,278	167,297
Restricted	30,533	4,790
Unrestricted	<u>361,771</u>	<u>431,486</u>
Total net assets	<u>\$ 552,582</u>	<u>\$ 603,573</u>

Foundation's Changes in Net Assets

The condensed statement of activities information shown on the following page explains changes in net assets.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Assets

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Program revenues		
Charges for services	\$ 19,084	\$ 16,594
Operating grants and contributions	<u>52,050</u>	<u>20,690</u>
Total program revenues	<u>71,134</u>	<u>37,284</u>
General revenues		
State school fund - general support	429,269	486,984
Unrestricted grants and contributions	28,541	29,632
Restricted local sources	-	9,604
Education jobs fund	-	12,647
State fiscal stabilization fund	-	6,971
Investment earnings	1,880	2,186
Miscellaneous	<u>1,226</u>	<u>-</u>
Total general revenues	<u>460,916</u>	<u>548,024</u>
Total revenues	<u>532,050</u>	<u>585,308</u>
Program expenses		
Instruction	407,506	381,206
Support services	168,516	135,471
Unallocated depreciation expense	5,855	7,018
Loss on disposal of assets	<u>1,164</u>	<u>-</u>
Total program expenses	<u>583,041</u>	<u>523,695</u>
Change in net assets	(50,991)	61,613
Net assets - beginning of year	<u>603,573</u>	<u>541,960</u>
Net assets - end of year	<u>\$ 552,582</u>	<u>\$ 603,573</u>

FINANCIAL ANALYSIS OF THE FOUNDATION'S FUND

As noted earlier, the Foundation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Governmental Fund

The focus of the Foundation's governmental fund is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Foundation's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the Foundation's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Foundation's governmental fund reported a fund balance of \$392,304, a decrease of \$43,972 from the prior year. Of this amount, \$353,902 constitutes unassigned fund balance, which is available for spending at the Foundation's discretion.

CAPITAL ASSETS

The Foundation's investment in capital assets for its governmental activities as of June 30, 2012 amounted to \$160,278, net of accumulated depreciation. This investment in capital assets is comprised solely of leasehold improvements. The total depreciation expense related to the Foundation's investment in capital assets during the current fiscal year was \$5,855.

Additional information on the Foundation's capital assets can be found in Note III-D on pages 19 through 20 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the Foundation was aware of the following circumstances that could affect its future financial health:

- Due to the sunset of a two-year Japanese teacher grant, revenues are expected to decline.
- The Foundation expects enrollment to remain the same in the next fiscal year.

Both of these factors were considered in preparing the Foundation's budget for the 2012-2013 fiscal year.

The ending unassigned General Fund balance of \$353,902 will be available for program resources in the 2012-2013 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Foundation's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be directed to the following address: Sheridan Japanese School Foundation, P.O. Box 446, Sheridan, Oregon 97378.

BASIC FINANCIAL STATEMENTS

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 311,193
Investments	84,010
Accounts receivable	5
Prepaid expenses	4,372
Unemployment self-insurance deposits	5,302
Total current assets	404,882
Cash restricted for student activities	29,007
Capital assets, net of accumulated depreciation	160,278
Total assets	594,167
LIABILITIES	
Accounts payable and accrued expenses	8,447
Accrued payroll liabilities	33,138
Total liabilities	41,585
NET ASSETS	
Invested in capital assets	160,278
Restricted	34,030
Unrestricted	358,274
Total net assets	\$ 552,582

The accompanying notes are an integral part of these financial statements.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities				
Instruction	\$ 407,506	\$ 19,084	\$ 10,292	\$ (378,130)
Support services	168,516	-	41,758	(126,758)
Unallocated depreciation expense	5,855	-	-	(5,855)
Loss on disposal of fixed assets	<u>1,164</u>	<u>-</u>	<u>-</u>	<u>(1,164)</u>
Total governmental activities	<u>\$ 583,041</u>	<u>\$ 19,084</u>	<u>\$ 52,050</u>	<u>(511,907)</u>
General revenues				
State school fund - general support				429,269
Unrestricted grants and contributions				28,541
Investment earnings				1,880
Miscellaneous				<u>1,226</u>
Total general revenues				<u>460,916</u>
Change in net assets				(50,991)
Net assets - beginning				<u>603,573</u>
Net assets - ending				<u>\$ 552,582</u>

The accompanying notes are an integral part of these financial statements.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

BALANCE SHEET

GOVERNMENTAL FUND

June 30, 2012

	General Fund
ASSETS	
Cash and cash equivalents	\$ 340,200
Investments	84,010
Accounts receivable	5
Prepaid expenses	4,372
Unemployment self-insurance deposits	5,302
 Total assets	 \$ 433,889
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 8,447
Accrued expenses	33,138
 Total liabilities	 41,585
Fund balance	
Nonspendable	4,372
Restricted for:	
Unemployment self-insurance	5,302
Student body activities	25,231
Grant purposes	3,497
Unassigned	353,902
 Total fund balance	 392,304
 Total liabilities and fund balance	 \$ 433,889

The accompanying notes are an integral part of these financial statements.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2012

Total fund balance		\$ 392,304
Capital assets are not financial resources and are therefore not reported in the governmental fund:		
Cost	207,914	
Accumulated depreciation	<u>(47,636)</u>	<u>160,278</u>
Net assets of governmental activities		<u>\$ 552,582</u>

The accompanying notes are an integral part of these financial statements.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

For the Year Ended June 30, 2012

	General Fund
REVENUES	
Local revenue	\$ 101,300
State revenue	<u>430,750</u>
Total revenues	<u>532,050</u>
EXPENDITURES	
Current	
Instruction	494,239
Support services	<u>81,783</u>
Total expenditures	<u>576,022</u>
Excess (deficiency) of revenues over (under) expenditures	(43,972)
Fund balance - beginning	<u>436,276</u>
Fund balance - ending	<u>\$ 392,304</u>

The accompanying notes are an integral part of these financial statements.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

Net change in fund balance	\$ (43,972)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Disposal of capital assets	(8,721)	
Depreciation expense removed in the current year	7,557	
Less current year depreciation	<u>(5,855)</u>	<u>(7,019)</u>

Change in net assets	<u>\$ (50,991)</u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Sheridan Japanese School Foundation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Foundation's accounting policies are described below.

A. Reporting Entity

Sheridan Japanese School Foundation operates under the authority of Sheridan School District No. 48J, which grants a charter to the school and exercises oversight, as required by Oregon law. The Foundation is reported as a component unit of Sheridan School District No. 48J. The charter school began operations in 2002. The charter school is subject to ORS 338 in connection with the operation of public charter schools. In accordance with ORS 338, the Foundation is organized as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code.

Sheridan Japanese School Foundation forwards a copy of its audited financial statements to Sheridan School District No. 48J, the Oregon Department of Education and the Oregon State Board of Education, in accordance with ORS 338.

B. Income Taxes

Sheridan Japanese School Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The tax-exempt status can be revoked by the Internal Revenue Service as a result of direct violations of laws and regulations governing 501(c)(3) organizations. The Foundation's operating policy requires strict adherence to these laws and regulations in order to maintain its tax-exempt status. Management's policy is to engage in activities related to their exempt purpose.

Management evaluates tax positions annually based on the guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740. FASB ASC 740 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing, in the financial statements, tax positions taken or expected to be taken on a tax return, including positions that the Foundation is exempt from income taxes or not subject to income taxes on unrelated business income. The Foundation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits.

C. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the activities of the Foundation.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. State school funding and other items not properly included among program revenues are reported instead as general revenues.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Foundation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

State school funding, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Foundation.

The Foundation reports the following major governmental fund:

General Fund – The General Fund is the Foundation’s only operating fund. It accounts for all financial resources of the Foundation.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Foundation’s policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Equity

1. Deposits and Investments

The Foundation's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Foundation to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Foundation as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Property, plant, and equipment of the Foundation are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5
Leasehold improvements	15-40

4. Compensated Absences

The Foundation does not compensate employees for unused accumulations upon termination of employment.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Equity (Continued)

5. Retirement Plan

Most of the Foundation's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenses or expenditures.

6. Fund Equity

Beginning with fiscal year 2011, the Foundation implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Foundation itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the Foundation takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Foundation intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The Foundation has not formally adopted a policy for commitment or assignment of unrestricted fund balance.

The Foundation has not formally adopted a minimum fund balance policy.

F. 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 certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Foundation, organized under ORS 338, is exempt from the provision of Oregon Local Budget Law, requiring the preparation and legal adoption of a budget under ORS 294.316. The Foundation does, however, prepare an annual budget for internal management purposes and for submission to its sponsor district, as required under the terms of its charter.

III. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS

A. Deposits

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. All Foundation deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The Foundation holds noninterest-bearing accounts at West Coast Bank and First Federal, for which deposits are fully insured by the FDIC temporary liquidity guarantee program. In addition, the Foundation holds an interest-bearing account at West Coast Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2012, the Foundation's total deposits of \$348,093 were fully insured by the FDIC.

Deposits

The Foundation's deposits at June 30, 2012 were as follows:

Governmental activities - unrestricted

Cash on hand	\$ 75
Checking account	172,749
Money market	<u>138,369</u>

Governmental activities - unrestricted 311,193

Governmental activities - restricted

Checking account	<u>29,007</u>
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Total deposits \$ 340,200

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

III. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS (Continued)

B. Investments

Investments as of June 30, 2012 are summarized as follows:

	2012		Unrealized Appreciation (Depreciation)
	Cost	Fair Value	(Depreciation)
Unrestricted Certificate of deposit Maturity 8/23/12	<u>\$ 84,010</u>	<u>\$ 84,010</u>	<u>\$ -</u>

Investment earnings for the year ended June 30, 2012 amounted to \$1,880.

C. Prepaid Expenses

Prepaid expenses at June 30, 2012 consist of:

	2012
Insurance	\$ 3,550
Other	<u>822</u>
Total prepaid expenses	<u>\$ 4,372</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Leasehold improvements	\$ 207,914	\$ -	\$ -	\$ 207,914
Equipment	<u>8,721</u>	<u>-</u>	<u>(8,721)</u>	<u>-</u>
Total capital assets being depreciated	<u>216,635</u>	<u>-</u>	<u>(8,721)</u>	<u>207,914</u>
Less accumulated depreciation for				
Leasehold improvements	(42,362)	(5,274)	-	(47,636)
Equipment	<u>(6,976)</u>	<u>(581)</u>	<u>7,557</u>	<u>-</u>
Total accumulated depreciation	<u>(49,338)</u>	<u>(5,855)</u>	<u>7,557</u>	<u>(47,636)</u>
Governmental activities capital assets, net	<u>\$ 167,297</u>	<u>\$ (5,855)</u>	<u>\$ (1,164)</u>	<u>\$ 160,278</u>

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

III. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS (Continued)

D. Capital Assets (Continued)

Capital assets are reported on the statement of net assets as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Leasehold improvements	\$ 207,914	\$ (47,636)	\$ 160,278

Depreciation was not charged to specific functions or programs of the Foundation. Capital assets of the Foundation are for the use of the entire Foundation and are therefore unallocated. Depreciation expense is recorded on the statement of activities as follows:

Unallocated depreciation expense	\$ 5,855
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E. Operating Leases

1. Building Lease

The Foundation has a long-term lease agreement for the building with Dick Paay (doing business as Theodorus W. Paay, LLC, an Oregon Limited Liability Company) beginning February 2004 for a period of 10 years, ending on January 31, 2014. The lease contains an annual escalator clause that increases the lease payment every February, starting with the 37th payment, by an amount equal to the Portland All Urban Consumer Price Index for the most recent 12-month period, but not to exceed 4%. Lease expense for the year ended June 30, 2012 was \$73,520.

Future estimated lease liabilities are as follows:

Year Ending June 30	
2013	\$ 76,461
2014	46,386
	\$ 122,847

2. Copier Lease

On November 1, 2011, the Foundation entered into a contract to lease a copier for a period of 39 months, ending on January 1, 2015. The lease calls for payments of \$255 per month for a period of 39 months. Lease expense for the year ended June 30, 2012 was \$2,040.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

III. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS (Continued)

E. Operating Leases (Continued)

2. Copier Lease (Continued)

Future lease liabilities are as follows:

<u>Year Ending June 30</u>	
2013	\$ 3,060
2014	3,060
2015	<u>1,785</u>
	<u>\$ 7,905</u>

IV. OTHER INFORMATION

A. Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Foundation carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Retirement Plan

1. Oregon Public Employees Retirement System

Plan Description

The Foundation contributes to a pension plan administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the Oregon Public Employees Retirement Fund (OPERF) and consists of two programs: the pension program and the defined benefit portion of the plan. OPSRP applies to qualifying Foundation employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

The PERS plan provides retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

IV. OTHER INFORMATION (Continued)

B. Retirement Plan (Continued)

1. Oregon Public Employees Retirement System (Continued)

Funding Policy

The Foundation is required by ORS 238.225 to contribute at a general service rate for the qualifying employees under the OPSRP plan. The OPSRP rate in effect for the year ended June 30, 2012 was 17.97%. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contributions in addition to the required employer's contribution.

Annual Pension Cost

The Foundation's contributions to PERS for the three years ended June 30, 2010, 2011, and 2012 were equal to the required contribution for each year.

Annual pension expenses/expenditures are summarized as follows:

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed
2010	\$ 26,002	100%
2011	\$ 37,858	100%
2012	\$ 45,185	100%

C. Related Party

The Foundation has a lease agreement with Dick Paay (doing business as Theodorous W. Paay, LLC, an Oregon Limited Liability Company) who is currently the president of the Foundation's board of directors. During the year ended June 30, 2012 the related party was paid \$73,520.

D. Concentrations of Funding Sources

Sheridan Japanese School Foundation receives a significant portion of its revenue from the state school fund. For the year ended June 30, 2012 Sheridan Japanese School Foundation received approximately 81% of its total revenue from the state school fund.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

IV. OTHER INFORMATION (Continued)

E. Commitments and Contingencies

A substantial portion of operating funding is received from the State of Oregon through Sheridan School District No. 48J. State funding is determined through state-wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate, they can cause either increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on operations cannot be determined.

Sheridan Japanese School Foundation operates under the authority of Sheridan School District No. 48J, who grants a charter to the school and exercises oversight, as required by Oregon law. The effect of nonrenewal of the charter has not been determined.

F. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that have future effective dates that will impact future financial presentations. Management has not currently determined what impact implementation of the following statements will have on future financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will be effective for the Foundation beginning with its fiscal year ending June 30, 2013, though earlier application is encouraged. This statement will standardize the presentation of deferred outflows and inflows of resources and their effects on net position.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the Foundation beginning with its fiscal year ending June 30, 2013, though earlier application is encouraged. This statement incorporates into the GASB's authoritative literature, certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, issued on or before November 30, 1989 that does not conflict with or contradict GASB pronouncements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, will be effective for the Foundation beginning with its fiscal year ending June 30, 2013. This statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

F. Subsequent Events

Management has evaluated subsequent events through November 20, 2012, which was the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2012

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Local revenue	\$ 131,758	\$ (30,458)	\$ 101,300	\$ -	\$ 101,300
State revenue	<u>406,163</u>	<u>24,587</u>	<u>430,750</u>	<u>-</u>	<u>430,750</u>
Total revenues	<u>537,921</u>	<u>(5,871)</u>	<u>532,050</u>	<u>-</u>	<u>532,050</u>
EXPENDITURES					
Current					
Instruction	525,246	(31,007)	494,239	-	494,239
Support services	<u>50,819</u>	<u>30,964</u>	<u>81,783</u>	<u>-</u>	<u>81,783</u>
Total expenditures	<u>576,065</u>	<u>(43)</u>	<u>576,022</u>	<u>-</u>	<u>576,022</u>
Excess (deficiency) of revenues over (under) expenditures	(38,144)	(5,828)	(43,972)	-	(43,972)
Fund balance - beginning	<u>540,000</u>	<u>(103,724)</u>	<u>436,276</u>	<u>-</u>	<u>436,276</u>
Fund balance - ending	<u>\$ 501,856</u>	<u>\$ (109,552)</u>	<u>\$ 392,304</u>	<u>\$ -</u>	<u>\$ 392,304</u>

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY
STATE REGULATIONS**



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
Sheridan Japanese School Foundation
Sheridan, Oregon 97378

We have audited the basic financial statements of Sheridan Japanese School Foundation as of and for the year ended June 30, 2012, and have issued our report thereon dated November 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Sheridan Japanese School Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to, the following:

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the Foundation was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting. However, we noted certain matters that we have reported to management of the Foundation in a separate letter dated November 20, 2012.

This report is intended solely for the information and use of the board of directors and management of Sheridan Japanese School Foundation and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.

Koontz, Perdue, Blasquez & Co., P.C.
Koontz, Perdue, Blasquez & Co., P.C.

November 20, 2012