

**SHERIDAN JAPANESE SCHOOL
FOUNDATION**
Sheridan, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2013

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

BOARD OF DIRECTORS

June 30, 2013

OFFICERS

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20461 SW Canyon Road
Sheridan, Oregon 97378

Alex Beecher, Vice President
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Jan Smith, Secretary
23055 Mountain Springs Drive
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Ann Meyer, Treasurer
500 NE Elm Street
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MEMBERS

Gay 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

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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

Report on the Basic Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Sheridan Japanese School Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2013, 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.

Other Matters

Required Supplementary Information

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 required supplementary information 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 16, 2013 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

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

By: 

Debra L. Blasquez, CPA

Albany, Oregon
October 16, 2013

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, 2013. It should be read in conjunction with the Foundation's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2013, total net position of Sheridan Japanese School Foundation amounted to \$525,330. Of this amount, \$155,004 was invested in capital assets, \$38,909 was restricted for various purposes, and the remaining \$331,417 was unrestricted.
- The Foundation's total net position decreased by \$27,252 during the current fiscal year.
- Overall expenditures were \$648,700, which exceeded total revenues of \$621,448 by \$27,252.

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 basic 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 position presents information on all of the Foundation's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information, which includes budgetary comparison information for the General Fund. This information can be found 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 position may serve over time as a useful indicator of the Foundation's financial position. At June 30, 2013, the Foundation's assets exceeded liabilities by \$525,330.

A large portion of the Foundation's net position reflects its investment in capital assets (e.g., land, buildings, 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 Position

At the end of the current fiscal year, the Foundation was able to report positive balances in all categories of net position. The Foundation's net position decreased by \$27,252 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Assets		
Current assets	\$ 378,964	\$ 404,882
Restricted assets	33,777	29,007
Net capital assets	<u>155,004</u>	<u>160,278</u>
 Total assets	 <u>567,745</u>	 <u>594,167</u>
 Liabilities		
Current liabilities	<u>42,415</u>	<u>41,585</u>
 Net position		
Invested in capital assets	155,004	160,278
Restricted	38,909	30,533
Unrestricted	<u>331,417</u>	<u>361,771</u>
 Total net position	 <u>\$ 525,330</u>	 <u>\$ 552,582</u>

Foundation's Changes in Net Position

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

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Position

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Program revenues		
Charges for services	\$ 92,235	\$ 19,084
Operating grants and contributions	<u>-</u>	<u>52,050</u>
Total program revenues	<u>92,235</u>	<u>71,134</u>
General revenues		
State school fund - general support	479,339	429,269
Unrestricted grants and contributions	47,454	28,541
Investment earnings	350	1,880
Miscellaneous	<u>2,070</u>	<u>1,226</u>
Total general revenues	<u>529,213</u>	<u>460,916</u>
Total revenues	<u>621,448</u>	<u>532,050</u>
Program expenses		
Instruction	421,524	407,506
Support services	221,902	168,516
Unallocated depreciation expense	5,274	5,855
Loss on disposal of assets	<u>-</u>	<u>1,164</u>
Total program expenses	<u>648,700</u>	<u>583,041</u>
Change in net position	(27,252)	(50,991)
Net position - beginning of year	<u>552,582</u>	<u>603,573</u>
Net position - end of year	<u>\$ 525,330</u>	<u>\$ 552,582</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 \$370,326, a decrease of \$21,978 from the prior year. Of this amount, \$316,667 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, 2013 amounted to \$155,004, 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 \$5,274.

Additional information on the Foundation's capital assets can be found in Note III-B 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 circumstance that could affect its future financial health:

- The Foundation expects enrollment to remain the same in the next fiscal year.

This was considered in preparing the Foundation's budget for the 2013-2014 fiscal year.

The ending unassigned General Fund balance of \$316,667 will be available for program resources in the 2013-2014 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 POSITION

June 30, 2013

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 359,082
Prepaid expenses	14,580
Unemployment self-insurance deposits	5,302
Total current assets	378,964
Restricted assets	
Cash restricted for student activities	33,607
Prepaid expense	170
Total restricted assets	33,777
Capital assets, net of accumulated depreciation	155,004
Total assets	567,745
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	2,940
Accrued payroll liabilities	38,925
Unearned revenue - summer camp deposits	550
Total liabilities	42,415
NET POSITION	
Invested in capital assets	155,004
Restricted	38,909
Unrestricted	331,417
Total net position	\$ 525,330

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, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities				
Instruction	\$ 421,524	\$ 92,235	\$ -	\$ (329,289)
Support services	221,902	-	-	(221,902)
Unallocated depreciation expense	<u>5,274</u>	<u>-</u>	<u>-</u>	<u>(5,274)</u>
Total governmental activities	<u>\$ 648,700</u>	<u>\$ 92,235</u>	<u>\$ -</u>	<u>(556,465)</u>
General revenues				
State school fund - general support				479,339
Unrestricted grants and contributions				47,454
Investment earnings				350
Miscellaneous				<u>2,070</u>
Total general revenues				<u>529,213</u>
Change in net position				(27,252)
Net position - beginning				<u>552,582</u>
Net position - ending				<u>\$ 525,330</u>

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

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

BALANCE SHEET

GOVERNMENTAL FUND

June 30, 2013

	General Fund
ASSETS	
Cash and cash equivalents	\$ 392,689
Prepaid expenses	14,750
Unemployment self-insurance deposits	5,302
 Total assets	 \$ 412,741
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 2,940
Accrued expenses	38,925
Unearned revenue - summer camp deposits	550
 Total liabilities	 42,415
Fund balance	
Nonspendable	14,750
Restricted for:	
Unemployment self-insurance	5,302
Student body activities	30,110
Grant purposes	3,497
Unassigned	316,667
 Total fund balance	 370,326
 Total liabilities and fund balance	 \$ 412,741

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 POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2013

Total fund balance		\$ 370,326
Capital assets are not financial resources and are therefore not reported in the governmental fund:		
Cost	207,914	
Accumulated depreciation	<u>(52,910)</u>	<u>155,004</u>
Net position of governmental activities		<u>\$ 525,330</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, 2013

	General Fund
REVENUES	
Local revenue	\$ 142,109
State revenue	<u>479,339</u>
Total revenues	<u>621,448</u>
EXPENDITURES	
Current	
Instruction	503,750
Support services	<u>139,676</u>
Total expenditures	<u>643,426</u>
Excess (deficiency) of revenues over (under) expenditures	(21,978)
Fund balance - beginning	<u>392,304</u>
Fund balance - ending	<u>\$ 370,326</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, 2013

Net change in fund balance	\$ (21,978)
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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.

Current year depreciation	<u>(5,274)</u>
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Change in net position	<u>\$ (27,252)</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, 2013

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 Foundation began operations as a charter school in 2003. 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.

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 position 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, 2013

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, 2013

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 \$1,000 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

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Equity (Continued)

4. 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.

5. Fund Equity

In the fund financial statements, the governmental fund reports classifications of fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

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. Reclassifications

Certain accounts, as reported in comparative statements in the management's discussion and analysis, have been reclassified for comparative purposes in order to conform to the presentation in the current year financial statements.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

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 accounts at Columbia Bank and First Federal Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2013, the Foundation had deposits of \$250,000 insured by the FDIC and \$154,328 collateralized under the PFCP.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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

A. Deposits (Continued)

Deposits

The Foundation's deposits at June 30, 2013 were as follows:

Governmental activities - unrestricted		
Cash on hand	\$	75
Checking account		220,546
Money market		<u>138,461</u>
Total governmental activities - unrestricted		359,082
Governmental activities - restricted		
Checking account		<u>33,607</u>
Total deposits	\$	<u><u>392,689</u></u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Leasehold improvements	\$ 207,914	\$ -	\$ -	\$ 207,914
Less accumulated depreciation for				
Leasehold improvements	<u>(47,636)</u>	<u>(5,274)</u>	<u>-</u>	<u>(52,910)</u>
Governmental activities capital assets, net	<u>\$ 160,278</u>	<u>\$ (5,274)</u>	<u>\$ -</u>	<u>\$ 155,004</u>

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Leasehold improvements	<u>\$ 207,914</u>	<u>\$ (52,910)</u>	<u>\$ 155,004</u>

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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

B. Capital Assets (Continued)

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	\$ <u>5,274</u>
----------------------------------	-----------------

C. 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, 2013 was \$73,520.

Future estimated lease liabilities are as follows:

<u>Year Ending June 30</u>	
2014	\$ <u>42,887</u>

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 31, 2015. The lease calls for payments of \$255 per month. Lease expense for the year ended June 30, 2013 was \$3,060.

Future lease liabilities are as follows:

<u>Year Ending June 30</u>	
2014	\$ 3,060
2015	<u>1,785</u>
	<u>\$ 4,845</u>

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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/>.

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, 2013 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.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

IV. OTHER INFORMATION (Continued)

B. Retirement Plan (Continued)

1. Oregon Public Employees Retirement System (Continued)

Annual Pension Cost

The Foundation's contributions to PERS for the three years ended June 30, 2011, 2012, and 2013 were equal to the required contribution for each year.

Annual pension expenses/expenditures are summarized as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2011	\$ 37,858	100%
2012	\$ 45,185	100%
2013	\$ 46,590	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, 2013 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, 2013, Sheridan Japanese School Foundation received approximately 77% of its total revenue from the state school fund.

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 statewide 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.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

IV. OTHER INFORMATION (Continued)

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. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the Foundation beginning with its fiscal year ending June 30, 2014. This statement moves some items from the assets and liabilities sections to the deferred outflows and deferred inflows sections of the statements.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, will be effective for the Foundation beginning with its fiscal year ending June 30, 2014. This statement improves accounting and financial reporting by resolving conflicting guidance that could diminish the consistency of financial reporting, and thereby enhances the usefulness of the financial reports.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, will be effective for the Foundation beginning with its fiscal year ending June 30, 2015. This statement replaces the requirements for GASB No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria.

G. Subsequent Events

Management has evaluated subsequent events through October 16, 2013, which was the date that the financial statements were available to be issued.

1. Building Lease

The building lease will be up for renewal in the 2013-2014 fiscal year. The current lease is scheduled to be effective through January 31, 2014. Dick Paay leases the building to the Foundation and has stated that there are plans to renew the lease. Refer to Note III-C.1 for current lease information.

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, 2013

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Local revenue	\$ 159,780	\$ (17,671)	\$ 142,109	\$ -	\$ 142,109
State revenue	<u>419,843</u>	<u>59,496</u>	<u>479,339</u>	<u>-</u>	<u>479,339</u>
Total revenues	<u>579,623</u>	<u>41,825</u>	<u>621,448</u>	<u>-</u>	<u>621,448</u>
EXPENDITURES					
Current					
Instruction	504,120	(370)	503,750	-	503,750
Support services	<u>110,495</u>	<u>29,181</u>	<u>139,676</u>	<u>-</u>	<u>139,676</u>
Total expenditures	<u>614,615</u>	<u>28,811</u>	<u>643,426</u>	<u>-</u>	<u>643,426</u>
Excess (deficiency) of revenues over (under) expenditures	(34,992)	13,014	(21,978)	-	(21,978)
Fund balance - beginning	<u>398,720</u>	<u>(6,416)</u>	<u>392,304</u>	<u>-</u>	<u>392,304</u>
Fund balance - ending	<u>\$ 363,728</u>	<u>\$ 6,598</u>	<u>\$ 370,326</u>	<u>\$ -</u>	<u>\$ 370,326</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, 2013, and have issued our report thereon dated October 16, 2013. 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 October 16, 2013.

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.

October 16, 2013