

TRILLIUM CHARTER SCHOOL

**(A Component Unit of
School District No. 1J,
Multnomah County, Oregon)**

Financial Report

**For the Year Ended
June 30, 2013**

TRILLIUM CHARTER SCHOOL
Multnomah County, Oregon

BOARD OF DIRECTORS
June 30, 2013

Emily Swensen, President
Christian Nielsen, Treasurer
Jennifer Jardee-Borquist, Secretary
Jeff Cavener
Meghan Ferns
John Lockhart

All board members receive mail at the address below:

5420 North Interstate
Portland, OR 97217

TRILLIUM CHARTER SCHOOL
Multnomah County, Oregon

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION:	
Independent Auditor's Report	1-3
Management Discussion and Analysis	4-7
FINANCIAL STATEMENTS AND SCHEDULES:	
Basic Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet - Governmental Fund	10
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	12
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	13
Notes to Basic Financial Statements	14-24
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund - Actual to Budget	25
Note to Supplementary Information	26
AUDIT COMMENTS AND DISCLOSURES	
Independent Auditor's Report Required by Oregon State Regulations	27-28



To the Board of Directors
Trillium Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities and the major fund of Trillium Charter School (an Oregon nonprofit corporation), Multnomah County, Oregon, a component unit of School District No. 1J, Multnomah County (the School) as of June 30, 2013 and for the year then ended, which collectively comprise the School's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 an opinion 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 the 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

Jake Jacobs, CPA
Shareholder

Susan J. Marks, CPA
Shareholder

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Jill Oswald
Shareholder

Mary Strasdin, CPA
Principal

Dennis C. Johnson, CPA
of counsel

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 opinion.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities and the major fund of Trillium Charter School as of June 30, 2013 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information – Management’s Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 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.

Supplementary Information – Actual to Budget

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School’s basic financial statements. The other schedule listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the

basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

McDonald Jacobs, P.C.

A handwritten signature in black ink that reads "Susan J. Marks". The signature is written in a cursive style with a large, prominent "S" and "M".

Susan J. Marks, Shareholder
Portland, Oregon
September 10, 2013

**TRILLIUM CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2013**

As management of Trillium Charter School (the School), we offer the following narrative overview and analysis of the School's financial statements for the year ended June 30, 2013. It is management's goal in preparing this discussion to assist users of these financial statements in interpreting key data found in the pages that follow, and to analyze the results of this fiscal year. Because the information contained in this discussion is select in nature, it should be considered in conjunction with the financial statements and notes to basic financial statements included in this financial report.

Although the School is a not-for-profit organization, these financial statements are presented in conformance with Governmental Accounting Standards Board (GASB) Statement No. 34 as amended. The State of Oregon, Secretary of State's interpretation of the enabling legislation related to Oregon Charter Schools, requires this presentation. The interpretation requires the School's financial statements to be presented on the same basis as those of our sponsoring district, the Portland Public School District.

The School's financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements
- Supplementary information which include budget to actual information

The government-wide financial statements on pages 8 and 9 are designed to provide an overview of the School's financial operations, in a manner similar to a private-sector business. The Statement of Net Position presents information regarding all assets and liabilities, with the difference between the two being reported as net position. Changes in net position may serve as a useful indicator of whether or not the overall financial position of the School is improving or deteriorating. The Statement of Activities presents information showing how the School's net position increased or decreased during the year under audit. All activities in the government-wide financial statements are presented on the full accrual basis of accounting, in which they are reported as soon as the event occurs, regardless of the timing of associated cash flows.

The fund financial statements on pages 10 and 12 are presented focusing on near-term inflows and outflows of available resources as well as balances of available resources available at the end of the year. Supplementary information on page 25, Schedule of Revenue, Expenditures and Changes in Fund Balance - Governmental Fund - Actual to Budget also includes the School's budget which is approved by the board of directors. This information is useful in assessing the School's near-term financial situation, and in the analysis of its annual budget. The Reconciliation of Governmental Funds on pages 11 and 13 provides reconciliation between the fund financial statements and the government-wide financial statements.

All activities of the School are considered to be governmental activities.

Condensed financial information is presented as follows:

Net Position	Governmental Activities		Percentage Change
	June 30,		
	2013	2012	
Current assets	\$ 871,479	\$ 782,370	11.4 %
Capital and noncurrent assets	3,141,752	3,207,855	(2.1)
Total assets	4,013,231	3,990,225	0.6
Current liabilities	474,046	553,853	(14.4)
Noncurrent liabilities	3,145,000	3,195,000	(1.6)
Total liabilities	3,619,046	3,748,853	(3.5)
Net position:			
Net investment in capital assets	(219,374)	(205,075)	(7.0)
Restricted	357,088	339,474	5.2
Unrestricted	256,471	106,973	139.8
Total net position	\$ 394,185	\$ 241,372	63.3 %

The School showed financial improvement in its financial position during the year ended June 30, 2013. Our total assets increased from \$3,990,225 to \$4,013,231 at the end of the 2013 fiscal year, of which \$3,141,752 are capital assets, net of depreciation. Our total liabilities decreased from \$3,748,853 to \$3,619,046, of which \$474,046 were current as of June 30, 2013. Our total net position increased from \$241,372 to \$394,185.

An analysis of the government-wide financial statements shows the following:

Change in Net Position	Governmental Activities		Percentage Change
	Fiscal year ended June 30,		
	2013	2012	
Revenues:			
State School Fund	\$ 1,753,491	\$ 1,689,070	3.8 %
Charges for services	200,385	290,609	(31.0)
Operating grants and contributions	81,755	87,106	(6.1)
Other general revenues	1,240	6,036	(79.5)
Total revenues	<u>2,036,871</u>	<u>2,072,821</u>	<u>(1.7)</u>
Expenses:			
Instruction	1,054,210	1,151,811	(8.5)
Support services	761,447	785,049	(3.0)
Unallocated depreciation	68,401	67,997	0.6
Total expenses	<u>1,884,058</u>	<u>2,004,857</u>	<u>(6.0)</u>
Change in net position	152,813	67,964	124.8
Net position - beginning of year	<u>241,372</u>	<u>173,408</u>	<u>39.2</u>
Net position - end of year	<u>\$ 394,185</u>	<u>\$ 241,372</u>	<u>63.3 %</u>

Our revenues came primarily from three major sources. State School Fund revenues were \$1,753,491, program fees were \$200,385 and fundraising revenues and contributions were \$81,755. Total revenues from all sources for the year were \$2,036,871, a decrease of \$35,950 from 2011-2012 revenues of \$2,072,821.

Our expenses totaled \$1,884,058 for the year, a decrease of \$120,799 over 2011-2012 expenses of \$2,004,857. Our largest expenses were for personnel costs, which totaled \$1,331,750.

The Schedule of Revenues, Expenditures, and Changes in Fund Balance – budget and actual on page 25 presents greater detail regarding the School’s revenues and expenditures for the year. The following are significant budgetary variations we feel should be discussed further:

A slight positive variance in total revenues of \$15,374, primarily in State source revenue, relates to unanticipated increases in the per pupil funding allocation. Additionally, local source revenues came in lower than anticipated as a result of a smaller preschool offering and fundraising revenue coming in below what we received in the prior year.

We spent \$104,485 less than was budgeted due mostly to medical insurance and retirement contribution expenses coming in lower than anticipated.

We ended Spring 2013 with 334 students and opened this Fall 2013 with 348 students.

Please refer to the notes to the basic financial statements on pages 14 through 24 for a discussion of other matters related to the 2012-2013 year. Within that section are explanations of Trillium Charter School's organization and operations, a summary of significant accounting policies, and other important information.

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kieran Connolly, Executive Director, at Trillium Charter School 5420 North Interstate, Portland, Oregon 97217.

A handwritten signature in black ink, appearing to read 'K. Connolly', written in a cursive style.

Trillium Charter School
Kieran Connolly, Executive Director

TRILLIUM CHARTER SCHOOL
Multnomah County, Oregon

BASIC FINANCIAL STATEMENTS

TRILLIUM CHARTER SCHOOL
Multnomah County, Oregon

STATEMENT OF NET POSITION
June 30, 2013

ASSETS:

Cash and cash equivalents	\$ 511,945
Cash restricted for bond repayment	342,306
Accounts receivable, net	6,759
Prepaid expenses	<u>10,469</u>
Total current assets	871,479
Capital assets, net of depreciation	2,975,626
Capitalized loan fees, net of amortization	<u>166,126</u>
 TOTAL ASSETS	 <u>4,013,231</u>

LIABILITIES:

Accounts payable	27,857
Accrued payroll and related expenses	147,295
PERS payable	212,387
Accrued interest payable	36,507
Current portion of long-term debt	<u>50,000</u>
Total current liabilities	474,046
Long-term debt	<u>3,145,000</u>
 TOTAL LIABILITIES	 <u>3,619,046</u>

NET POSITION:

Net investment in capital assets	(219,374)
Restricted	357,088
Unrestricted	<u>256,471</u>
 TOTAL NET POSITION	 <u>\$ 394,185</u>

See notes to basic financial statements.

TRILLIUM CHARTER SCHOOL
Multnomah County, Oregon

STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) and Changes in Net Position
FUNCTIONS:				
Instruction	\$ 1,054,210	\$ 134,258	\$ 51,099	\$ (868,853)
Support services	761,447	66,127	30,656	(664,664)
Unallocated depreciation	68,401	-	-	(68,401)
Total governmental activities	1,884,058	200,385	81,755	(1,601,918)
General revenues:				
State School Fund				1,753,491
Rental revenue				1,165
Investment earnings				75
Total general revenues				1,754,731
Change in net position				152,813
Net position - beginning of year				241,372
Net position - end of year				\$ 394,185

See notes to basic financial statements.

TRILLIUM CHARTER SCHOOL
Multnomah County, Oregon

BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2013

ASSETS

Cash and cash equivalents	\$ 511,945
Cash restricted for bond repayment	342,306
Accounts receivable, net	6,759
Prepaid expenses	<u>10,469</u>
TOTAL ASSETS	<u><u>\$ 871,479</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 27,857
Accrued payroll and related expenses	147,295
PERS payable	<u>212,387</u>
Total liabilities	<u>387,539</u>

Fund balance:

Nonspendable	10,469
Restricted	357,088
Unassigned	<u>116,383</u>
Total fund balance	<u>483,940</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 871,479</u></u>
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See notes to basic financial statements.

TRILLIUM CHARTER SCHOOL
Multnomah County, Oregon

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2013

Total fund balance	\$ 483,940
<p>The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in the Governmental Fund. The Statement of Net Position includes those capital assets among the assets of the School as a whole.</p>	
Capital assets, net of depreciation	2,975,626
<p>Long-term liabilities applicable to the School's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.</p>	
Bond payable	(3,195,000)
Accrued interest payable	(36,507)
Unamortized loan fees	<u>166,126</u>
Net position	<u>\$ 394,185</u>

See notes to basic financial statements.

TRILLIUM CHARTER SCHOOL
Multnomah County, Oregon

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND**

For the year ended June 30, 2013

Revenues:

Local sources	\$ 283,380
State sources	<u>1,753,491</u>
Total revenues	<u>2,036,871</u>

Expenditures:

Instruction:	
Salaries	775,491
Payroll taxes and employee benefits	212,093
Purchased services	42,168
Supplies and materials	<u>24,458</u>
Total instruction	<u>1,054,210</u>

Support services:

Salaries	280,053
Payroll taxes and employee benefits	64,113
Purchased services	94,269
Supplies and materials	35,255
Facilities services	<u>57,832</u>
Total support services	<u>531,522</u>

Capital outlay	9,102
Debt service	<u>268,628</u>
Total expenditures	<u>1,863,462</u>

Net change in fund balance 173,409

Beginning fund balance 310,531

Ending fund balance \$ 483,940

See notes to basic financial statements.

TRILLIUM CHARTER SCHOOL
Multnomah County, Oregon

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

For the year ended June 30, 2013

Net change in fund balance	\$ 173,409
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Capital outlays are reported as expenditures, however, in the Statement of Activities, the cost of those assets are capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation.

Capital outlay	9,102
Depreciation expense	(68,401)

Governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Governmental funds report principal payments on debt as expenditures, whereas these amounts are a reduction of long-term debt on the Statement of Net Position.

Principal payments on debt	45,000
Amortization of loan fees	(6,804)
Change in accrued interest payable	<u>507</u>

Change in net position	<u><u>\$ 152,813</u></u>
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See notes to basic financial statements.

TRILLIUM CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) for governmental units as required by an interpretation of Oregon law related to charter schools. 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 School's accounting policies are described below.

A. The Financial Reporting Entity

Trillium Charter School (Trillium or the School) is a nonprofit corporation organized under the laws of the State of Oregon and governed by a 9 member board. Trillium was formed February 8, 2001 to operate as an Oregon Charter School under the provisions of Oregon Revised Statutes Chapter 338. This statute requires that the Charter School be considered a governmental organization and is subject to the *Minimum Standards of Audits of Oregon Municipal Corporations*. Generally accepted accounting principles require that these financial statements present Trillium and all component units, if any. All significant activities with which the School exercises oversight responsibility have been considered for inclusion in the basic financial statements. Trillium has no component units. Trillium Charter School is a component unit of School District No. 1J, Multnomah County (Portland Public Schools or PPS) because, even though, they are separate legal entities, Trillium Charter School operates under authority of the Portland School District who exercises oversight as required by Oregon Law.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and Statement of Activities display information about the School as a whole.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Program revenues include fundraising revenues, contributions and grants. Revenues not classified as program revenues are reported as general revenues and include State School Fund unrestricted grants and federal grants.

TRILLIUM CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation, Continued

Government-Wide Financial Statements (GWFS), Continued

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

The School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

Fund Financial Statements

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Governmental Fund Type

The General Fund is a governmental fund and is used to account for all of the School's activities. Governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end. Grant revenue is not considered available and, therefore, is not recognized until eligible expenditures are incurred. Expenditures are recorded when the liability is incurred.

Revenues susceptible to accrual are interest, state, county and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

TRILLIUM CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation, Continued

Governmental Fund Type, Continued

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

The School has only one major governmental fund, a General Fund. This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund (there are no other funds). The principal revenue sources are payment of state school support from Portland Public School District, grants, program fees, fundraising and contributions.

As of June 30, 2013, fund balances of the governmental fund are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the School's Board of Directors.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the School's Board of Directors may assign amounts for specific purposes.

Unassigned – all amounts not included in other spendable classifications.

TRILLIUM CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation, Continued

Fund Balances - Governmental Fund, Continued

As of June 30, 2013, fund balances of the governmental fund consist of:

- Nonspendable funds relating to prepaid items of \$10,469
- Restricted funds relating to cash restricted for bond payment and contributions restricted for the arts and a playground remodel of \$357,088
- Unassigned fund balance of \$116,383

The School did not have committed or assigned fund balances.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to have been spent first. When an expenditure for which committed, assigned or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

Grants

Unreimbursed expenditures due from grantor agencies are reflected in the government-wide financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as deferred revenue in the Balance Sheet and Statement of Net Position.

Net Position

Net position is classified in the following categories:

Net investment in capital assets - consists of net assets invested in buildings, equipment and other capital assets of the School, net of any related debt.

Restricted - consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There was \$357,088 of restricted net position at June 30, 2013, for the repayment of long term debt as well as contributions restricted for the arts and for a playground remodel.

Unrestricted - consists of all other net assets that are not included in the other categories previously mentioned.

TRILLIUM CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Accounts Receivable

Accounts receivable are shown net of an allowance for doubtful accounts at June 30, 2013 of \$7,218. The allowance is determined by management based on its assessment of the current status of individual accounts. At June 30, 2013, there are no balances over 90 days past due.

D. Capital Assets

Capital assets, which include buildings and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000 and a useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Depreciation is recorded on capital assets on the straight-line method over the useful life of the asset. Useful lives vary from 25 to 60 years for building and improvements, and 5 to 10 years for furniture and equipment.

E. Retirement Plans

Substantially all of Trillium Charter School's licensed teachers are participants in the Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures and expenses as incurred.

F. Estimates

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

G. Income Tax Status

Trillium Charter School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Trillium Charter School is not a private foundation.

TRILLIUM CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013

2. CASH AND CASH EQUIVALENTS

Deposits

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

Deposits with financial institutions:

Demand deposits - interest bearing	\$ 511,945
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Restricted deposits with financial institutions:

Demand deposits - interest bearing	<u>342,306</u>
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Total cash	<u><u>\$ 854,251</u></u>
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Restricted Deposits

Restricted deposits consist of a Debt Service Reserve Fund and a Bond Fund that are restricted by bond holders. Funds from these accounts can only be used after approval by the bond holders.

Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. There is no deposit policy for custodial risk. As of June 30, 2013, bank balances were \$860,038, of which \$500,000 were insured by Federal Deposit Insurance Corporation (FDIC). Balances in excess of FDIC coverage limits are uninsured.

TRILLIUM CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2013 are as follows:

	Beginning Balance	Additions	Deletions	End Balance
Land	\$ 546,000	\$ -	\$ -	\$ 546,000
Construction in process	-	1,245	-	1,245
Total non depreciable assets	<u>546,000</u>	<u>1,245</u>	<u>-</u>	<u>547,245</u>
Buildings and improvements	2,761,606	4,515	-	2,766,121
Furniture and equipment	20,229	3,342	-	23,571
Total depreciable assets	<u>2,781,835</u>	<u>7,857</u>	<u>-</u>	<u>2,789,692</u>
Less accumulated depreciation:				
Buildings and improvements	(282,023)	(66,361)	-	(348,384)
Furniture and equipment	(10,887)	(2,040)	-	(12,927)
Total accumulated depreciation	<u>(292,910)</u>	<u>(68,401)</u>	<u>-</u>	<u>(361,311)</u>
Net depreciable assets	<u>2,488,925</u>	<u>(60,544)</u>	<u>-</u>	<u>2,428,381</u>
Net capital assets	<u>\$ 3,034,925</u>	<u>\$ (59,299)</u>	<u>\$ -</u>	<u>\$ 2,975,626</u>

4. RETIREMENT PLANS

Plan Description

Plan Description - The School contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the school's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs:

TRILLIUM CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013

4. RETIREMENT PLANS, Continued

The Pension Program, the defined benefit portion of the plan, applies to qualifying school employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. 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.

Both PERS plans provide 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 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. The report may be obtained by writing PERS, PO Box 23700, Tigard, OR 97281-2300 or by calling 503-598-7377.

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The school is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan. The OPERF rate in effect for the year ended June 30, 2013 was 19.48% and 17.97% for OPSRP. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost - The School's required contribution to the plan for the year ended June 30, 2013 was \$133,721, The School's required contributions to the plan for the years ended June 30, 2012 and 2011 were \$162,114 and \$122,141, respectively. PERS contributions unpaid and outstanding totaled \$212,387 at June 30, 2013, \$289,411 at June 30, 2012, and \$273,083 at June 30, 2011.

TRILLIUM CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013

5. LONG-TERM DEBT

Oregon Facilities Authority Revenue Bonds were issued on December 12, 2007 in the amount of \$3,395,000 with interest rates varying from 6.875% to 7.750%. Bond proceeds were used to retire mortgage debt and finance building improvements. Changes in long-term debt for the year ended June 30, 2013 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>End Balance</u>	<u>Due Within One Year</u>
Bonds payable - Series A	\$ 3,240,000	\$ -	\$ (45,000)	\$ 3,195,000	\$ 50,000
Total long-term debt	<u>\$ 3,240,000</u>	<u>\$ -</u>	<u>\$ (45,000)</u>	3,195,000	<u>\$ 50,000</u>
Less due within one year				<u>50,000</u>	
Long-term portion				<u>\$ 3,145,000</u>	

Future payments are as follows:

	<u>Bonds Payable - Series A</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2014	\$ 50,000	\$ 220,363	\$ 270,363
2015	55,000	216,753	271,753
2016	55,000	212,972	267,972
2017	60,000	209,019	269,019
2018	65,000	204,722	269,722
2018-2023	400,000	947,125	1,347,125
2023-2028	570,000	782,125	1,352,125
2028-2033	805,000	545,825	1,350,825
2033-2038	<u>1,135,000</u>	<u>210,175</u>	<u>1,345,175</u>
Total	<u>\$ 3,195,000</u>	<u>\$ 3,549,078</u>	<u>\$ 6,744,078</u>

Interest expense totaled \$223,121 for the year ended June 30, 2013.

TRILLIUM CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013

5. LONG-TERM DEBT, Continued

Bond Covenants

The Oregon Facilities Authority Revenue Bonds have certain required ratio covenants in which the School was in compliance with as of June 30, 2013.

Amortized Loan Fees

Loan fees related to refinancing long-term debt is amortized using the straight-line method over the term of the bonds. Changes in amortized loan fees for the year ended June 30, 2013 are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u> <u>Balance</u>
Loan fees	\$ 204,115	\$ -	\$ -	\$ 204,115
Less accumulated amortization	<u>(31,185)</u>	<u>(6,804)</u>	<u>-</u>	<u>(37,989)</u>
Capitalized loan fees, net	<u>\$ 172,930</u>	<u>\$ (6,804)</u>	<u>\$ -</u>	<u>\$ 166,126</u>

6. COMMITMENTS AND CONTINGENCIES

A substantial portion of operating funding is received from the State of Oregon through Portland Public School District. 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 increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the operations cannot be determined.

The School operates under authority of Portland Public School District who grants the charter and exercises oversight as required by Oregon law. The effect of non-renewal of the charter has not been determined.

7. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

TRILLIUM CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS, Continued
June 30, 2013

8. LEASE COMMITMENT

The School entered into a five-year lease agreement to lease a digital copier through March 1, 2016. Monthly rent is \$951 plus a charge for insurance coverage. Lease expense totaled \$12,082 for the year ended June 30, 2013.

Future minimum lease payments are as follows:

Year ending June 30,		
	2014	\$ 11,412
	2015	11,412
	2017	<u>7,608</u>
	Total	<u>\$ 30,432</u>

SUPPLEMENTARY INFORMATION

TRILLIUM CHARTER SCHOOL
Multnomah County, Oregon

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

For the year ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Positive (Negative)</u>
Revenues:				
Local sources	\$ 311,695	\$ 311,695	\$ 283,380	\$ (28,315)
State sources	<u>1,691,802</u>	<u>1,691,802</u>	<u>1,753,491</u>	<u>61,689</u>
 Total revenues	 <u>2,003,497</u>	 <u>2,003,497</u>	 <u>2,036,871</u>	 <u>33,374</u>
 Expenditures:				
Instruction:				
Salaries	791,290	791,290	775,491	15,799
Payroll taxes and employee benefits	261,428	261,428	212,093	49,335
Purchased services	13,217	13,217	42,168	(28,951)
Supplies and materials	<u>20,955</u>	<u>20,955</u>	<u>24,458</u>	<u>(3,503)</u>
Total instruction	1,086,890	1,086,890	1,054,210	32,680
 Support services:				
Salaries	287,193	287,193	280,053	7,140
Payroll taxes and employee benefits	92,762	92,762	64,113	28,649
Purchased services	97,215	97,215	94,269	2,946
Supplies and materials	33,390	33,390	35,255	(1,865)
Facilities services	<u>61,218</u>	<u>61,218</u>	<u>57,832</u>	<u>3,386</u>
Total support services	571,778	571,778	531,522	40,256
 Capital outlay	 4,200	 4,200	 9,102	 (4,902)
Debt service	<u>268,629</u>	<u>268,629</u>	<u>268,628</u>	<u>1</u>
 Total expenditures	 <u>1,931,497</u>	 <u>1,931,497</u>	 <u>1,863,462</u>	 <u>68,035</u>
 Net change in fund balance	 72,000	 72,000	 173,409	 101,409
 Beginning fund balance	 <u>310,531</u>	 <u>310,531</u>	 <u>310,531</u>	 <u>-</u>
 Ending fund balance	 <u>\$ 382,531</u>	 <u>\$ 382,531</u>	 <u>\$ 483,940</u>	 <u>\$ 101,409</u>

See note to supplementary information.

TRILLIUM CHARTER SCHOOL
NOTE TO SUPPLEMENTARY INFORMATION
June 30, 2013

1. BUDGET

The budget included in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund – Actual to Budget is prepared on the modified accrual basis of accounting in the main program categories as listed below. Modified accrual basis differs from accrual in the fact that no depreciation expense is recognized, debt is recorded as revenue when incurred and an expense when paid, compensated absences are expensed when paid and capital assets are expensed when purchased. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except depreciation is not recorded, debt principal is an expenditure and capital assets are expensed when purchased.

Expenditure budgets are made at the following levels for each fund:

Level of Control:

- Instruction
- Support services
- Capital outlay
- Debt service

TRILLIUM CHARTER SCHOOL
Multnomah County, Oregon

AUDIT COMMENTS AND DISCLOSURES



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

*Jake Jacobs, CPA
Shareholder*

*Susan J. Marks, CPA
Shareholder*

*Mark A. Clift, CPA
Shareholder*

*Karin S. Wandtke, CPA
Shareholder*

*Sang Ahn, CPA
Shareholder*

*Gerard DeBlois Jr., CPA
Shareholder*

*Jill Oswald
Shareholder*

*Mary Strasdin, CPA
Principal*

*Dennis C. Johnson, CPA
of counsel*

Board of Directors
Trillium Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Trillium Charter School (the School) as of and for the year ended June 30, 2013, and have issued our report thereon dated September 10, 2013.

Compliance

As part of obtaining reasonable assurance about whether the School'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 162-10-000 through 162-10-320 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 statements 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:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Insurance and fidelity bonds in force or required by law**
- **Programs funded from outside sources**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**
- **Public charter school requirements**

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

In connection with our testing nothing came to our attention that caused us to believe the School was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control. Deficiencies in internal control, if any, were communicated separately.

Restriction on Use

This report is intended solely for the information the Board of Directors, management of Trillium Charter School, Multnomah County School District 1J, and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

McDonald Jacobs, P.C.



Susan J. Marks, Shareholder
Portland, Oregon
September 10, 2013