

**TRILLIUM CHARTER SCHOOL**

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

**Financial Report**

**For the Year Ended  
June 30, 2014**

**TRILLIUM CHARTER SCHOOL**  
**Multnomah County, Oregon**

**BOARD OF DIRECTORS**  
**June 30, 2014**

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Meghan Perry, President  
Stacy Blanton, Treasurer  
Emily Jensen  
Jeff Cavener  
John Lockhart

All board members receive mail at the address below:

5420 North Interstate  
Portland, OR 97217

**TRILLIUM CHARTER SCHOOL**  
**Multnomah County, Oregon**

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To the Board of Directors  
Trillium Charter School

*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

*Mary Strasdin, CPA*  
Shareholder

*Jill Oswald*  
Shareholder

*Anthony Almer, CPA*  
Principal

*Tyee Carr, CPA*  
Principal

*Dennis C. Johnson, CPA*  
of counsel

### **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, 2014 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

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, 2014 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, stylized initial "S".

Susan J. Marks, Shareholder  
Portland, Oregon  
September 26, 2014

**TRILLIUM CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2014**

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, 2014. 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,		
	2014	2013	
Current assets	\$ 930,629	\$ 871,479	6.8 %
Capital and noncurrent assets	2,935,784	2,975,626	(1.3)
Total assets	3,866,413	3,847,105	0.5
Current liabilities	408,623	474,046	(13.8)
Noncurrent liabilities	3,090,000	3,145,000	(1.7)
Total liabilities	3,498,623	3,619,046	(3.3)
Net position:			
Net investment in capital assets	(209,216)	(219,374)	4.6
Restricted	345,580	357,088	(3.2)
Unrestricted	231,426	90,345	156.2
Total net position	\$ 367,790	\$ 228,059	61.3 %

The School showed financial improvement in its financial position during the year ended June 30, 2014. Our total assets increased from \$3,847,105 to \$3,866,413 at the end of the 2014 fiscal year, of which \$2,935,784 are capital assets, net of depreciation. Our total liabilities decreased from \$3,619,046 to \$3,498,623, of which \$408,623 were current as of June 30, 2014. Our total net position increased from \$228,059 to \$367,790.



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

<b>Change in Net Position</b>	Governmental Activities		Percentage Change
	Fiscal year ended June 30,		
	2014	2013	
<b>Revenues:</b>			
State School Fund	\$ 1,887,504	\$ 1,753,491	7.6 %
Charges for services	197,546	200,385	(1.4)
Operating grants and contributions	87,140	81,755	6.6
Other general revenues	33,324	1,240	2,587.4
Total revenues	<u>2,205,514</u>	<u>2,036,871</u>	<u>8.3</u>
<b>Expenses:</b>			
Instruction	1,168,191	1,054,210	10.8
Support services	827,774	761,447	8.7
Unallocated depreciation	69,818	68,401	2.1
Total expenses	<u>2,065,783</u>	<u>1,884,058</u>	<u>9.6</u>
<b>Change in net position</b>	139,731	152,813	(8.6)
Net position - beginning of year	<u>228,059</u>	<u>75,246</u>	<u>203.1</u>
Net position - end of year	<u>\$ 367,790</u>	<u>\$ 228,059</u>	<u>61.3 %</u>

Our revenues came primarily from three major sources. State School Fund revenues were \$1,887,504, program fees were \$197,546 and fundraising revenues and contributions were \$87,140. Total revenues from all sources for the year were \$2,205,514, an increase of \$168,643 from 2012-2013 revenues of \$2,036,871.

Our expenses totaled \$2,065,783 for the year, an increase of \$181,725 over 2012-2013 expenses of \$1,884,058. Our largest expenses were for personnel costs, which totaled \$1,466,547.

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 positive variance in total revenues of \$64,992, primarily in State source revenue, relates to unanticipated increases in the per pupil funding allocation.

Overall, we spent \$12,177 more than was budgeted representing less than a 1 percent variance of total budgeted expenses.

We ended Spring 2014 with 338 students and opened this Fall 2014 with 358 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 2013-2014 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, 2014**

**ASSETS:**

Current assets:

Cash and cash equivalents	\$ 413,496
Cash restricted for bond repayment	345,080
Accounts receivable, net	144,199
Prepaid expenses	<u>27,854</u>
Total current assets	930,629
Capital assets, net of depreciation	<u>2,935,784</u>

TOTAL ASSETS 3,866,413

**LIABILITIES:**

Current liabilities:

Accounts payable	11,852
Accrued payroll and related expenses	137,516
PERS payable	149,072
State fund advance	19,242
Accrued interest payable	35,941
Current portion of long-term debt	<u>55,000</u>

Total current liabilities 408,623

Long-term debt 3,090,000

TOTAL LIABILITIES 3,498,623

**NET POSITION:**

Net investment in capital assets	(209,216)
Restricted	345,580
Unrestricted	<u>231,426</u>

TOTAL NET POSITION \$ 367,790

See notes to basic financial statements.

**TRILLIUM CHARTER SCHOOL**  
**Multnomah County, Oregon**

**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2014**

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) and Changes in Net Position
<b>FUNCTIONS:</b>				
Instruction	\$ 1,168,191	\$ 132,355	\$ 58,384	\$ (977,452)
Support services	827,774	65,191	28,756	(733,827)
Unallocated depreciation	69,818	-	-	(69,818)
Total governmental activities	\$ 2,065,783	\$ 197,546	\$ 87,140	(1,781,097)
General revenues:				
State School Fund				1,887,504
Portland Arts Tax				17,703
Donated materials and services				900
Rental revenue				1,480
Interest				191
Other				13,050
Total general revenues				1,920,828
Change in net position				139,731
Net position - beginning of year, <i>as restated (Note 9)</i>				228,059
Net position - end of year				\$ 367,790

See notes to basic financial statements.

**TRILLIUM CHARTER SCHOOL**  
**Multnomah County, Oregon**

**BALANCE SHEET - GOVERNMENTAL FUND**  
**June 30, 2014**

**ASSETS**

Cash and cash equivalents	\$ 413,496
Cash restricted for bond repayment	345,080
Accounts receivable, net	144,199
Prepaid expenses	<u>27,854</u>
 TOTAL ASSETS	 <u>\$ 930,629</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:	
Accounts payable	\$ 11,852
Accrued payroll and related expenses	137,516
PERS payable	149,072
State fund advance	<u>19,242</u>
 Total liabilities	 <u>317,682</u>
Fund balance:	
Nonspendable	27,854
Restricted	345,580
Unassigned	<u>239,513</u>
 Total fund balance	 <u>612,947</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 930,629</u>

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, 2014

Total fund balance	\$ 612,947
<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	2,935,784
<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	(3,145,000)
Accrued interest payable	<u>(35,941)</u>
Net position	<u>\$ 367,790</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, 2014**

**Revenues:**

Local sources	\$ 318,010
State sources	<u>1,887,504</u>
Total revenues	<u>2,205,514</u>

**Expenditures:**

Instruction:	
Salaries	804,650
Payroll taxes and employee benefits	266,229
Purchased services	65,927
Supplies and materials	<u>31,385</u>
Total instruction	<u>1,168,191</u>

Support services:

Salaries	303,851
Payroll taxes and employee benefits	91,817
Purchased services	106,212
Supplies and materials	39,022
Facilities services	<u>67,075</u>
Total support services	<u>607,977</u>

Capital outlay	29,976
Debt service	<u>270,363</u>
Total expenditures	<u>2,076,507</u>

Net change in fund balance 129,007

Beginning fund balance 483,940

Ending fund balance \$ 612,947

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, 2014**

Net change in fund balance	\$ 129,007
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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	29,976
Depreciation expense	(69,818)

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	50,000
Change in accrued interest payable	<u>566</u>

Change in net position	<u><u>\$ 139,731</u></u>
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See notes to basic financial statements.

**TRILLIUM CHARTER SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**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 5 to 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, 2014**

**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, 2014**

**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, 2014, 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, 2014**

**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, 2014, fund balances of the governmental fund consist of:

- Nonspendable funds relating to prepaid items of \$27,854
- Restricted funds relating to cash restricted for bond payment and contributions restricted for science of \$345,580
- Unassigned fund balance of \$239,513

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 \$345,580 of restricted net position at June 30, 2014, for the repayment of long term debt as well as contributions restricted for science.

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, 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

C. Accounts Receivable

Accounts receivable are shown net of an allowance for doubtful accounts at June 30, 2014 of \$6,004. The allowance is determined by management based on its assessment of the current status of individual accounts. At June 30, 2014, 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.

TRILLIUM CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS, Continued  
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

The School follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the School's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

The School's information returns for years ended June 30, 2010 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

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	\$ 413,496
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Restricted deposits with financial institutions:

Demand deposits - interest bearing	<u>345,080</u>
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Total cash	<u><u>\$ 758,576</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, 2014, bank balances were \$793,847, of which \$650,116 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, 2014**

**3. CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2014 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>End Balance</u>
Land	\$ 546,000	\$ -	\$ -	\$ -	\$ 546,000
Construction in process	1,245	-	-	(1,245)	-
Total non depreciable assets	<u>547,245</u>	<u>-</u>	<u>-</u>	<u>(1,245)</u>	<u>546,000</u>
Buildings and improvements	2,766,121	29,976	-	1,245	2,797,342
Furniture and equipment	23,571	-	-	-	23,571
Total depreciable assets	<u>2,789,692</u>	<u>29,976</u>	<u>-</u>	<u>1,245</u>	<u>2,820,913</u>
Less accumulated depreciation:					
Buildings and improvements	(348,384)	(67,610)	-	-	(415,994)
Furniture and equipment	(12,927)	(2,208)	-	-	(15,135)
Total accumulated depreciation	<u>(361,311)</u>	<u>(69,818)</u>	<u>-</u>	<u>-</u>	<u>(431,129)</u>
Net depreciable assets	<u>2,428,381</u>	<u>(39,842)</u>	<u>-</u>	<u>1,245</u>	<u>2,389,784</u>
Net capital assets	<u>\$ 2,975,626</u>	<u>\$ (39,842)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,935,784</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-employer 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, 2014**

**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, not the member's PERS account.

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 to PERS, PO Box 23700, Tigard, OR 97281-3700 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 and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2014 were 22.29% and 20.29%, respectively. 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 contribution to the plan for the year ended June 30, 2014 was \$185,402, which equaled the required contribution for the year. The School's contributions to the plan for the years ended June 30, 2013 and 2012 were \$133,721 and \$162,114, respectively, which equaled the required contributions for the years. PERS contributions unpaid and outstanding relating to years ended June 30, 2011 and earlier totaled \$149,072 at June 30, 2014, \$212,387 at June 30, 2013, and \$289,411 at June 30, 2012. The unpaid balance is expected to be paid in full in March 2016.

**TRILLIUM CHARTER SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS, Continued**  
**June 30, 2014**

**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, 2014 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	\$ 3,195,000	\$ -	\$ (50,000)	\$ 3,145,000	\$ 55,000
Total long-term debt	<u>\$ 3,195,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	3,145,000	<u>\$ 55,000</u>
Less due within one year				55,000	
Long-term portion				<u>\$ 3,090,000</u>	

Future payments are as follows:

Year ending June 30,	<u>Bonds Payable - Series A</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2019	70,000	200,081	270,081
2020-2024	430,000	918,594	1,348,594
2025-2029	610,000	741,475	1,351,475
2030-2034	860,000	487,550	1,347,550
2035-2037	940,000	137,550	1,077,550
Total	<u>\$ 3,145,000</u>	<u>\$ 3,328,716</u>	<u>\$ 6,473,716</u>

Interest expense totaled \$219,797 for the year ended June 30, 2014.

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, 2014.

**TRILLIUM CHARTER SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS, Continued**  
**June 30, 2014**

**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.

**8. LEASE COMMITMENTS**

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. In June 2014, the School entered into a new five-year lease, which replaced the former lease, through June 30, 2019. Monthly rent is \$1,227 beginning July 2014. Accordingly, the future minimum lease payments have been adjusted to reflect this new lease. Lease expense totaled \$13,145 for the year ended June 30, 2014.

Future minimum lease payments are as follows:

Year ending June 30, 2015	\$	14,724
2016		14,724
2017		14,724
2018		14,724
2019		14,724
Total	\$	<u>73,620</u>

**TRILLIUM CHARTER SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS, Continued**  
**June 30, 2014**

**9. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT TO BEGINNING NET ASSETS**

For the year ended June 30, 2014, the School implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, to remove capitalized loan fees related to the prior revenue bond issuance, which is no longer required to be capitalized. The impact of the change in accounting principle resulted in a decrease of \$166,126 in the beginning net position on the statement of activities.

**10. SUBSEQUENT EVENTS**

Trillium Charter School has evaluated all subsequent events through September 26, 2014, the date the financial statements were available to be issued.

**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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Local sources	\$ 300,977	\$ 300,977	\$ 318,010	\$ 17,033
State sources	<u>1,839,545</u>	<u>1,839,545</u>	<u>1,887,504</u>	<u>47,959</u>
Total revenues	<u>2,140,522</u>	<u>2,140,522</u>	<u>2,205,514</u>	<u>64,992</u>
<b>Expenditures:</b>				
Instruction:				
Salaries	830,398	830,398	804,650	25,748
Payroll taxes and employee benefits	277,850	277,850	266,229	11,621
Purchased services	26,375	26,375	65,927	(39,552)
Supplies and materials	<u>26,374</u>	<u>26,374</u>	<u>31,385</u>	<u>(5,011)</u>
Total instruction	1,160,997	1,160,997	1,168,191	(7,194)
Support services:				
Salaries	313,279	313,279	303,851	9,428
Payroll taxes and employee benefits	101,583	101,583	91,817	9,766
Purchased services	95,234	95,234	106,212	(10,978)
Supplies and materials	37,066	37,066	39,022	(1,956)
Facilities services	<u>67,208</u>	<u>67,208</u>	<u>67,075</u>	<u>133</u>
Total support services	614,370	614,370	607,977	6,393
Capital outlay	18,600	18,600	29,976	(11,376)
Debt service	<u>270,363</u>	<u>270,363</u>	<u>270,363</u>	<u>-</u>
Total expenditures	<u>2,064,330</u>	<u>2,064,330</u>	<u>2,076,507</u>	<u>(12,177)</u>
Net change in fund balance	76,192	76,192	129,007	52,815
Beginning fund balance	<u>483,940</u>	<u>483,940</u>	<u>483,940</u>	<u>-</u>
Ending fund balance	<u>\$ 560,132</u>	<u>\$ 560,132</u>	<u>\$ 612,947</u>	<u>\$ 52,815</u>

See note to supplementary information.

**TRILLIUM CHARTER SCHOOL**  
**NOTE TO SUPPLEMENTARY INFORMATION**  
**June 30, 2014**

**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*

*Mary Strasdin, CPA  
Shareholder*

*Jill Oswald  
Shareholder*

*Anthony Almer, CPA  
Principal*

*Tyee Carr, CPA  
Principal*

*Dennis C. Johnson, CPA  
of counsel*

To the 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, 2014, and have issued our report thereon dated September 26, 2014.

### 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**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**
- **Public charter school requirements**

*Strength in Numbers*

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

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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 26, 2014