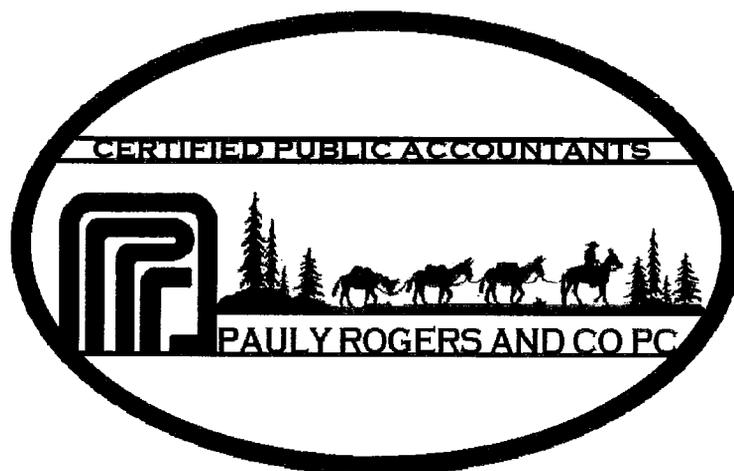


THE IVY SCHOOL
MULTNOMAH COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



12700 SW 72nd Ave.
Tigard, OR 97223

THE IVY SCHOOL

FINANCIAL REPORT

For the Year Ended June 30, 2013

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THE IVY SCHOOL

2012 - 2013

BOARD OF DIRECTORS

Johanna Keith, Board Chair

Lisa Larpenteur, Treasurer

Colleen Roberts, Secretary

Rebecca Keith, Member

David Stevens, Member

Billy Ladd, Member

Laurie Simpson, Member

Adam Smith, Member

All board members receive mail at the address below:

ADMINISTRATION

Mary Zigmann, Administrator
4212 NE Prescott
Portland, OR 97218

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THE IVY SCHOOL

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PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

November 20, 2013

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Ivy School
Multnomah County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of The Ivy School, Multnomah County, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

The School adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

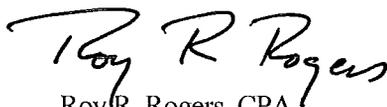
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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 Management's Discussion and Analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The listing of board members, located before the table of contents, and the other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 20, 2013, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.



THE IVY SCHOOL - A MONTESSORI CHARTER MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of The Ivy 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 audit. Because the information contained in this discussion is necessarily select in nature, it should be read and interpreted in conjunction with those financial statements.

These financial statements are presented in conformance with Governmental Accounting Standards Board (GASB) as currently required.

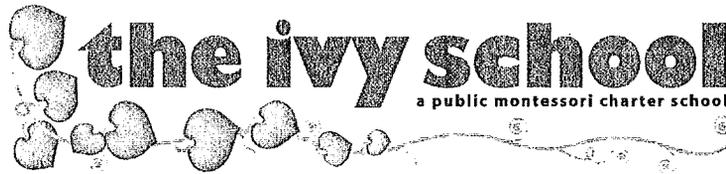
The school's basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The government-wide financial statements are designed to provide an overview of the school's financial operations. The Statement of Net Position (pg. 4) 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 the school's expenses and revenues during the year under audit, as well as the resulting change in net position. All activities in the government-wide financial statements are presented on the modified accrual basis of accounting, in which they are reported when the cash is earned or liability incurred.

The Balance Sheet – Governmental Fund (pg. 6) presents assets and liabilities under the government basis of accounting. The Statement of Revenues, Expenditures and Changes in Fund Balance presents revenues and expenditures under governmental accounting principles, treating the purchase of capital assets as expenditures. This information might be useful in assessing the school's financial performance during the year and is useful in the preparation and analysis of annual budgets. An analysis of the government-wide financial statements shows the following:

- The Ivy School ended its fourth year of operation with a total fund balance of \$156,528.
- The Ivy School's net position of \$311,732 showed a \$41,875 decrease from the prior year's net position of \$353,607.



- The Ivy School has capital assets of \$1,546,367 due to the purchase of the Prescott Campus.
- The Ivy School received \$1,160,553 in total revenues, including \$1,015,844 for state sources entirely made up of per pupil funding. The remainder of general fund revenue totaling \$144,709 came from a variety of sources including aftercare revenue, fundraising, donations, and student fees.
- Total expenditures were \$1,190,777 for the year. Our largest expenditures were for instruction functions totaling \$655,945 and support services totaling \$546,483.

Comparative financial information relating to The Ivy School's assets and liabilities is as follows:

	2013	2012	% Change
Assets			
Current and other assets	\$ 156,528	\$ 171,408	-8.7%
Capital assets (net)	1,546,367	228,018	578.2%
Total assets	<u>1,702,895</u>	<u>399,426</u>	<u>326.3%</u>
Liabilities			
Current and other liabilities	1,391,163	45,819	2936.2%
Total liabilities	<u>1,391,163</u>	<u>45,819</u>	<u>2936.2%</u>
Net Position			
Net investment in capital assets	216,367	228,018	-5.1%
Unrestricted	95,365	125,589	-24.1%
Total net position	<u>\$ 311,732</u>	<u>\$ 353,607</u>	<u>-11.8%</u>

Comparative financial information relating to The Ivy School's changes in net position is as follows:

	2013	2012	% Change
Revenues			
Charges for Services	\$ 80,219	\$ 49,569	61.8%
Operatings Grants	64,490	23,010	180.3%
General Revenues	1,015,844	868,518	17.0%
Total Revenues	<u>1,160,553</u>	<u>941,097</u>	<u>23.3%</u>
Expenses			
Instruction	655,945	503,839	30.2%
Support Services	546,483	393,542	38.9%
Total Expenses	<u>1,202,428</u>	<u>897,381</u>	<u>34.0%</u>
Change in Net Position	(41,875)	43,716	-195.8%
Beginning Net Position	353,607	309,891	14.1%
Ending Net Position	<u>\$ 311,732</u>	<u>\$ 353,607</u>	<u>-11.8%</u>



For the school year 2012-2013, our enrollment increased from 150 students to 180 students, with the addition of one new classroom. Building rent increased from \$112,997 to \$173,380. We remain committed to budgeting conservatively to be prepared for any downward trends in per-pupil funding, and to build up a contingency fund for future growth plans.

Please refer to the notes to the financial statements on pages 10-17 for a discussion of other issues related to the 2012-2013 year. Within that section are explanations of The Ivy School's organization and operations, a summary of significant accounting policies, and other important business.

This financial report is designed to provide a general overview of the school's finances for all those who are interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Ivy School Board Chair, Johanna Keith, The Ivy School, 4212 NE Prescott St, Portland, OR 97218.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Mary Zigman". The signature is written in black ink and is positioned below the "Respectfully Submitted," text.

Mary Zigman
Administrator
The Ivy School

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THE IVY SCHOOL

BASIC FINANCIAL STATEMENTS

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THE IVY SCHOOL

STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS:

Cash	\$ 156,396
Accounts Receivable	132
Capital Assets, Net of Depreciation	<u>1,546,367</u>
Total Assets	<u>1,702,895</u>

LIABILITIES:

Current:

Payroll Liabilities	61,163
Notes Payable Due Within One Year	72,268

Noncurrent:

Notes Payable Due in More Than One Year	<u>1,257,732</u>
---	------------------

Total Liabilities	<u>1,391,163</u>
-------------------	------------------

NET POSITION:

Net Investment in Capital Assets	216,367
Unrestricted	<u>95,365</u>
Total Net Position	<u>\$ 311,732</u>

See accompanying notes to the basic financial statements

THE IVY SCHOOL

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

FUNCTIONS	EXPENSES	PROGRAM REVENUES		(EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental Activities:				
Instruction	\$ 655,945	\$ 78,605	\$ 64,490	\$ (512,850)
Support Services	546,483	1,614	-	(544,869)
Total Governmental Activities	<u>\$ 1,202,428</u>	<u>\$ 80,219</u>	<u>\$ 64,490</u>	<u>(1,057,719)</u>
General Revenues:				
State School Funds				<u>1,015,844</u>
Total General Revenues				<u>1,015,844</u>
Changes in Net Position				(41,875)
Net Position - Beginning				<u>353,607</u>
Net Position - Ending				<u>\$ 311,732</u>

See accompanying notes to the basic financial statements

THE IVY SCHOOL

BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2013

	<u>GENERAL FUND</u>
ASSETS:	
Cash	\$ 156,396
Accounts Receivable	<u>132</u>
Total Assets	<u>\$ 156,528</u>
LIABILITIES AND FUND BALANCE:	
Liabilities:	
Payroll Liabilities	<u>\$ 61,163</u>
Fund Balance:	
Unassigned	<u>95,365</u>
Total Liabilities and Fund Balance	<u>\$ 156,528</u>

See accompanying notes to the basic financial statements

THE IVY SCHOOL

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

June 30, 2013

Total Fund Balance - Governmental Fund	\$	95,365
Long term liabilities not payable in the current year are not reported as governmental fund liabilities. These liabilities consist of:		
Notes Payable		(1,330,000)
The cost of capital assets (leasehold improvements, buildings and equipment) purchased or constructed is reported as a disbursement in the governmental fund. The Statement of Net Position includes those capital assets among the assets of the School as a whole.		
Capital Assets, Net of Depreciation		<u>1,546,367</u>
Net Position	\$	<u><u>311,732</u></u>

See accompanying notes to the basic financial statements

THE IVY SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2013

	GENERAL FUND
REVENUES:	
Local Sources	\$ 144,709
State Sources	1,015,844
Total Revenues	<u>1,160,553</u>
EXPENDITURES:	
Instruction	638,808
Support Services	531,969
Capital Outlay	1,350,000
Total Expenditures	<u>2,520,777</u>
Revenues Over, (Under) Expenditures	(1,360,224)
OTHER FINANCING SOURCES, (USES):	
Proceeds from Debt Issuance	<u>1,330,000</u>
Net Changes in Fund Balance	(30,224)
Beginning Fund Balance	<u>125,589</u>
Ending Fund Balance	<u><u>\$ 95,365</u></u>

See accompanying notes to the basic financial statements

THE IVY SCHOOL

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Total Net Changes in Fund Balances - Governmental Funds \$ (30,224)

Capital Outlays are reported in the governmental fund as disbursement. However, in the Statement of Revenues and Expenditures, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation.

Capital Outlay	\$	1,350,000	
Loss on Disposal of Assets		(15,446)	
Depreciation Expense		<u>(16,205)</u>	1,318,349

The issuance of long-term debt provides current financial resources to governmental funds; the repayment of long-term debt consumes current financial resources. (1,330,000)

Change in Net Position of Governmental Activities \$ (41,875)

See accompanying notes to the basic financial statements

THE IVY SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with general accepted accounting principles (GAAP) as applied to governmental units as required by Oregon law for 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 accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The Ivy School (the School) is a non-profit corporation organized under provisions of Oregon Revised Statutes Chapter 338 for the purpose of operating a charter school. It is governed by an eight-member board. Generally accepted accounting principles require that these financial statements present the School and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate entities that are included in the School's reporting entity because of the significance of their operational or financial relationships with the School. All significant activities and entities with which the School exercises oversight responsibility have been considered for inclusion in the basic financial statements. There are no component units. The School operates under the authority of Portland Public Schools 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 reporting government as a whole. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the modified accrual basis of accounting. Revenues, expenditures, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenditures, 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."

All direct expenditures are reported by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

FUND FINANCIAL STATEMENTS

The accounts 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 TYPES

Governmental funds are used to account for the general government activities. Governmental fund types 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

THE IVY SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

GOVERNMENTAL FUND TYPES (CONTINUED)

liabilities of the current period. Grant revenue is not considered available and, therefore, is not recognized until received. 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.

There is the following major governmental fund:

GENERAL FUND

This fund accounts for all financial revenues and expenditures, except those required to be accounted for in another fund (there are no other funds). The principal revenue sources are payments of state school support from Portland Public Schools, program fees, grants, fundraising and donations.

GRANTS

Unreimbursed expenditures due from grantor agencies are not reflected in the government-wide financial statements until cash is received. Grant revenues are recorded at the time expenditures are reimbursed. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the Balance Sheet and Statement of Net Position.

FUND BALANCE

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.

THE IVY SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)

FUND BALANCE (CONTINUED)

- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

There were no nonspendable, restricted, committed or assigned fund balances at year end.

The governing body has not established a policy on the order in which unrestricted resources are to be used when these amounts are available for expenditure. As a result of this, the default approach assumes that committed amounts should be reduced first, followed by assigned amounts, and then the unassigned amounts.

NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following categories:

- Restricted – consists of external constraints placed on 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 no restricted net position at June 30, 2013.
- Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. There are no deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. There are no deferred inflows.

C. BUDGETS

A budget is prepared for the General Fund on the modified accrual basis of accounting in the main program categories as listed below. Modified accrual basis differs from accrual in that no depreciation expense is recognized, capital assets are expensed when purchased, inventory is expensed when purchased, debt principal is an expenditure when paid and debt proceeds are revenue when received.

THE IVY SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

C. BUDGETS (CONTINUED)

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

- Instruction
- Support Services
- Facilities Acquisition and Construction
- Contingency

A budgetary schedule is shown on page 18 of this report.

D. CAPITAL ASSETS

Capital assets, which include equipment, buildings and leasehold improvements are reported in the government- wide financial statements. 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, which range from five to fifty years. A capitalization policy was adopted that established a dollar threshold of \$3,000 for assets, with the exception of land which has a \$0 threshold, and a useful life greater than one year.

E. LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. The face amount of the debt issued is reported as other financing sources.

F. RETIREMENT PLANS

Substantially all of the employees are participants in Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded.

G. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 expenditures during the reporting period. Actual results could differ from those estimates.

H. PREPAID EXPENSES

Prepaid expenses are reported for purchases of services paid for during the year but not used until next year.

I. ACCOUNTS RECEIVABLE

The accounts receivable are all current and are considered by management to be fully collectible. Therefore, no provision for uncollectable amounts has been made.

THE IVY SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

Policy is to follow state statutes governing cash management. Statutes authorize the investment in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities.

Deposits With Financial Institutions:

Demand Deposits:	2013
Checking	<u>\$ 156,396</u>
Total	<u>\$ 156,396</u>

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.

2. CASH AND INVESTMENTS (CONTINUED)

CREDIT RISK - DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. The School does not have a deposit policy for custodial credit risk. As of June 30, 2013, the bank balance of \$161,580 was fully covered by Federal Depository Insurance, in accordance with Oregon Revised Statutes.

INTEREST RATE RISK

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date.

CREDIT RISK

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

CONCENTRATION OF CREDIT RISK

There were no investments at June 30, 2013.

THE IVY SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

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

	Capital Assets July 1, 2012	Additions	Deletions	Capital Assets June 30, 2013
Leasehold Improvements	\$ 166,572	\$ -	\$ (10,437)	\$ 156,135
Buildings	-	1,350,000	-	1,350,000
Equipment	94,339	-	(7,095)	87,244
Totals:	260,911	1,350,000	(17,532)	1,593,379
Accumulated Depreciation:				
Buildings & Improvements	18,669	8,041	(1,283)	25,427
Equipment	14,224	8,164	(803)	21,585
	32,893	16,205	(2,086)	47,012
Net Capital Assets:	<u>\$ 228,018</u>			<u>\$ 1,546,367</u>

Depreciation expense for the year is allocated as follows:

Instruction	\$ 8,842
Support	7,363
	<u>\$ 16,205</u>

4. RETIREMENT PLANS

Plan Description

Contributions are made for contracted employees to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post-employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

Members of PERS are required to contribute 6% of their salary covered under the plan. The School is required by ORS 238.225 to contribute at an actuarially determined rate. The rate effective for the two year period beginning July 1, 2011 is 15.35% for employees covered under the Oregon Public Services Retirement Plan (OPSRP). The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The contribution to PERS for the years ended June 30, 2013, 2012, and 2011 totaled \$18,594, \$18,553, and \$18,711 respectively, and was equal to the required contributions for the year.

Management has determined, based upon the small impact on the state-wide pool, that no material implicit rate subsidy exists and there is no OPEB obligation for implicit post-employment benefits.

THE IVY SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT

On June 14, 2013, a promissory note was signed to enter a loan agreement in the amount of \$375,000 with monthly payments of principal and interest equal to \$6,575 through June 30, 2019. Another promissory note was signed on June 14, 2013 in the amount of \$955,000 with monthly payments of principal and interest equal to \$5,241 through June 30, 2038. The proceeds from these loans were used to purchase a building.

	Outstanding 7/1/2012	Issued	Matured and Redeemed	Outstanding 6/30/2013	Due Within One Year		
Note Payable #1	\$ -	\$ 375,000	\$ -	\$ 375,000	\$ 50,733		
Note Payable #2	-	955,000	-	955,000	21,535		
Total	\$ -	\$ 1,330,000	\$ -	\$ 1,330,000	\$ 72,268		

Fiscal year ending June 30	Note Payable #1		Note Payable #2		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 50,733	\$ 28,167	\$ 21,535	\$ 41,353	\$ 72,268	\$ 69,520
2015	54,944	23,956	22,497	40,392	77,441	64,348
2016	59,504	19,395	23,501	39,387	83,005	58,782
2017	64,443	14,457	24,550	38,338	88,993	52,795
2018	69,792	9,108	25,646	37,242	95,438	46,350
2019-23	75,584	3,315	146,455	167,985	222,039	171,300
2024-28	-	-	182,196	132,244	182,196	132,244
2029-33	-	-	226,655	87,785	226,655	87,785
2034-38	-	-	281,965	32,475	281,965	32,475
Total	\$ 375,000	\$ 98,398	\$ 955,000	\$ 617,201	\$ 1,330,000	\$ 715,599

6. LEASES

A lease was entered into starting April 1, 2010 for property located at 4212 NE Prescott St., Portland, Oregon for a period of 27 months. The required lease payments under the terms of the lease are \$6,000 per month from April to June 2010 and increasing thereafter. The lease was extended on June 30, 2012. Monthly lease payments were \$12,500 and total lease payments made during the year ended June 30, 2013 were \$150,000. The lease expired and the building was purchased on June 30, 2013.

A lease was entered into for the period of September 1, 2012 through July 1, 2013 for property located at 26 NE Morris St., Portland, Oregon. The terms of this agreement are monthly payments of \$2,338. This lease was extended for a period of 36 months starting July 1, 2013. The required lease payments are \$4,676 per month during the term of the lease. Lease payments for this item totaled \$23,380 for the year ended June 30, 2013.

There is an operating lease agreement for a copier. Monthly lease payments are \$249 and the lease expires on September 30, 2014. Lease payments for this item amounted to \$2,988 for the year ended June 30, 2013.

Another operating lease agreement for a copier was entered into on July 1, 2012. Monthly lease payments are \$516 and the lease expires on June 30, 2017. Lease payments for this item amounted to \$6,192 for the year ended June 30, 2013.

THE IVY SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

6. LEASES (CONTINUED)

There is an operating lease agreement for a phone system. Monthly lease payments are \$103 and the lease expired on February 28, 2013. Lease payments for this item amounted to \$949 for the year ended June 30, 2013.

At June 30, 2013, the approximate minimum rental commitments under these leases are as follows:

<u>Year ending June 30</u>	<u>Copiers</u>	<u>Building</u>	<u>Total</u>
2014	\$ 9,180	\$ 56,112	\$ 65,292
2015	6,939	56,112	63,051
2016	6,192	56,112	62,304
2017	6,192	-	6,192
Total minimum required payments	<u>\$ 28,503</u>	<u>\$ 168,336</u>	<u>\$ 196,839</u>

7. RISK MANAGEMENT

There is exposure 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. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage in the last three years.

8. TAX STATUS

The School is established pursuant to Section 501(c)(3) of the Internal Revenue Code, and, accordingly, the School's change in net position is exempt from income taxes. The School has obtained a favorable determination letter from the Internal Revenue Service and the Board believes that the School continues to qualify and to operate in accordance with applicable provisions of the Internal Revenue Code.

U.S. Generally Accepted Accounting Principles require management to evaluate tax positions taken by the School and recognize a tax liability (or asset) if an uncertain position has been taken that more likely than not would not be sustained upon examination by the Internal Revenue Service. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2009.

9. COMMITMENTS AND CONTINGENCIES

A substantial portion of operating funding is State Basic School Support received from Portland Public Schools. 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 operations cannot be determined.

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

THE IVY SCHOOL

OTHER INFORMATION

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THE IVY SCHOOL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND - BUDGET AND ACTUAL
 For the Year Ended June 30, 2013

GENERAL FUND

REVENUES:	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
Local Sources	\$ 65,300	\$ 65,300	\$ 144,709	\$ 79,409
State Sources	971,028	971,028	1,015,844	44,816
Total Revenues	1,036,328	1,036,328	1,160,553	124,225
EXPENDITURES:				
Instruction	577,840	577,840	638,808	(60,968)
Support Services	441,733	441,733	531,969	(90,236)
Facilities Acquisition and Construction	-	-	1,350,000	(1,350,000)
Contingency	15,000	15,000	-	15,000
Total Expenditures	1,034,573	1,034,573	2,520,777	(1,486,204)
Revenues Over, (Under) Expenditures	1,755	1,755	(1,360,224)	(1,361,979)
OTHER FINANCING SOURCES, (USES):				
Proceeds from Debt Issuance	-	-	1,330,000	1,330,000
Net Change in Fund Balance	1,755	1,755	(30,224)	(31,979)
Beginning Fund Balance	-	-	125,589	125,589
Ending Fund Balance	\$ 1,755	\$ 1,755	\$ 95,365	\$ 93,610

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THE IVY SCHOOL

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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November 20, 2013

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of The Ivy School as of and for the year ended June 30, 2013, and have issued our report thereon dated November 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of 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, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Insurance and fidelity bonds in force or required by law.**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing, nothing came to our attention that caused us to believe the Ivy 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, we considered internal controls over financial reporting as a basis for designing our auditing procedures 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 internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies as under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated November 20, 2013.

This report is intended solely for the information and use of the Board of Directors, management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, stylized "R" in the middle.

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.