

Accountants' Review Report

We have reviewed the accompanying statements of assets and net assets (modified cash basis) of Mercer Island Schools Foundation (the "Foundation") as of June 30, 2009, and the related statement of activities (modified cash basis) for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All of the information included in these financial statements is the representation of the management of the Foundation.

A review consists principally of inquiries of Foundation personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note 1.

Clark Nuber, P.S.
Certified Public Accountants,
Bellevue, WA
July 23, 2009

Statements Of Assets And Net Assets (Modified Cash Basis)

	June 30,	2009	2008
Assets			
Cash			
Checking		\$31,126	\$34,875
Savings		51,194	68,055
Total cash		82,320	102,930
Computers and software, net of accumulated depreciation of \$1,212 (2007- \$653)		1,026	1,586
Total Assets		\$83,346	\$104,516
Net Assets			
Unrestricted			
Undesignated		\$28,406	\$50,299
Designated by the Board (Note 1)		6,226	6,300
Total unrestricted		34,632	56,599
Temporarily restricted (Note 1)		48,714	47,917
Total Net Assets		\$83,346	\$104,516

Note 1 - Summary Of Operations And Significant Accounting Policies

Operations - The Mercer Island Schools Foundation (the Foundation) is a nonprofit corporation organized in 1981 to promote and help fund the best possible learning opportunities for all students of the Mercer Island School District (the District).

The Foundation is funded through donations from individuals, corporations and foundations. Donations are obtained primarily through an annual two-night phone solicitation each October and a fund-raising breakfast event in March. In 2009 in response to severe budget cuts planned by the school district, the Foundation solicited gifts to help the District Bridge the Gap to restore funding for teachers and programs.

There are three broad categories of program services provided by the Foundation:

Academic Support and Enrichment - Grants which directly support the academic and fine arts programs in the schools including program restoration, school improvements plans, classroom enrichment grants, instructional materials, curriculum reviews and adoptions, technology, as well as designated gifts to extracurricular programs.

Professional Development of Teaching Staff - Grants for teacher training and opportunities for enhanced certification so our District will attract and retain excellent teachers.

Student Support Programs - Grants which support the varied and special needs of students, particularly the autism spectrum program, English Language Learners (ELL), the high school Bridges and Culminating Project programs, and parent education.

Basis of Accounting - The Foundation prepares its financial statements on the modified cash basis of cash receipts and disbursements. Consequently, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. The Foundation also records depreciation on fixed assets and records the in-kind value of donated supplies and facilities.

Property and Equipment - Assets, consisting of computer and related software, are recorded at cost or at the value assigned when received as gifts, and are being depreciated using the straight-line method over five years. Depreciation expense for each of the years ended June 30, 2009 and 2008 was \$560 and \$560, respectively.

Net Assets - Net assets and revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. As reflected in the accompanying statement of assets and net assets, at June 30, 2009, unrestricted net assets amounted to \$34,632 (2008 - \$56,599). Unrestricted net assets designated by the Board consist of monies approved for specific projects to be spent within one year and amounted to \$6,226 at June 30, 2009 (2008 - \$6,300).

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. At June 30, 2009, temporarily restricted net assets restricted to programs amounted to \$48,714 (2007 - \$47,917).

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

In-Kind Contributions - Members of the board of trustees and numerous other individuals volunteer substantial amounts of time in support of the Foundation's events and programs. The value of this contributed time is not reflected in these financial statements since the time does not meet the criteria to record under generally accepted accounting principles. The Foundation has recorded the value of donated supplies, equipment and use of facilities, totaling \$6,640 related to both program and administration for the year ended June 30, 2009 (2008 - \$4,900).

Income Taxes - The IRS has determined that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Recent Accounting Pronouncements - In 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. FASB Staff Position No. FIN 48-3 permits nonpublic enterprises to defer the effective date of FIN 48 until fiscal years beginning after December 15, 2008. The Foundation's management has elected to defer the implementation of FIN 48 and is evaluating the impact of FIN 48 to its financial statements. Until FIN 48 is implemented, the Foundation will continue following the guidance in SFAS No. 5, Accounting for Contingencies, in accounting for any uncertain tax positions.

Subsequent Events - The financial statements were approved and authorized for issuance by management on August 17, 2009.

Reclassifications - Certain reclassifications have been made to the 2008 financial statements in order to conform to the current year presentation. The reclassifications have had no impact on net assets.

Note 2 - Special Event

The Foundation organized its sixth annual fund-raising breakfast event during April 2009. Contributions collected from this event were \$174,361 and expenses were \$40,705. In addition, as part of the event, the Foundation raised \$14,850 on behalf of Bailey Gatzert Elementary School, which is not reflected in the Foundation's revenues for the year. The Foundation anticipates holding this event again next year.

Note 3 - Related Party Transactions And In-Kind Contributions

In recognition of the support directed to the District by the Foundation, the District agrees to provide office space to the Foundation at \$1 per year. The additional value of the use of facilities provided by the District is estimated at fair market value and is recognized in the Foundation's financial statements as in-kind contributions by the District and expenditures in the Foundation's financial statements. These amounts totaled \$2,500 for the year ended June 30, 2009 (2008 - \$2,500).

In June 2008, the Foundation agreed to act as a fiscal agent for Multi Cultural Scholars Program by accepting gifts and providing administrative services related to the Multi Cultural Scholars Program and disbursing funds from the account as requested. The agreement is effective through July 30, 2009 and may be renewed annually, if both the Foundation and the Multi Cultural Scholars Fund desire to do so. Under the agreement, the Foundation charges an annual fee of 2% to cover the administrative costs of acting as a fiscal agent. For the year ended June 30, 2009 and 2008, the Foundation collected \$52,874 and \$59,848, respectively. For the year ended June 30, 2009 and 2008, the Foundation disbursed \$51,418 and \$58,373, respectively.

Statement Of Activities (Modified Cash Basis) For The Year Ended June 30, 2009 (With Comparative Totals For 2008)

	Unrestricted	Temporarily Restricted	Total 2009	Total 2008
Support and Revenue:				
Individuals	\$396,176	\$107,246	\$503,422	\$538,764
Bridge the Gap campaign		289,231	289,231	
Special event (Note 2)	174,361		174,361	196,367
Corporate gift matching	72,998		72,998	69,954
Foundation & Corp grants		10,000	10,000	
Giving campaigns	27,969		27,969	24,068
Interest and dividends	793		793	5,422
Realized gain/loss on investments	156		156	(989)
In-kind	6,640		6,640	4,900
Miscellaneous	244		244	550
	679,337	406,477	1,085,814	839,036
Net assets released from restrictions	405,680	(405,680)		
Total Support and Revenue	1,085,017	797	1,085,814	839,036
Expenses:				
Program services:				
Academic support & enrichment:				
Bridge the Gap program restoration	413,750		413,750	
School improvement plans	88,066		88,066	91,961
Classroom enrichment grants	61,593		61,593	62,373
Instructional materials	56,076		56,076	47,787
Fine arts programs	13,393		13,393	28,830
Desig grants/multicultural scholars	51,418		51,418	58,373
Desig grant /MIHS football	20,850		20,850	
Curriculum reviews and adoptions				
Science program review	2,748		2,748	31,574
K-12 math program review	41,615		41,615	
Pre-calc/math analysis adoption	30,109		30,109	
K-5 social studies review/adopt	42,325		42,325	94,149
Really Big Idea committee				46,636
E2 program	7,000		7,000	
Professional development/teachers:				
Technology integration training				28,544
National board certification support	38,999		38,999	97,166
Mel Levine/schools attuned				6,375
Student support programs:				
Autism spectrum program support	17,567		17,567	26,216
Bridges	11,523		11,523	25,000
Culminating project support	36,390		36,390	60,108
Wolf tracks				5,000
Crest Reconnecting Youth program				7,000
Parent education	13,628		13,628	
Total Program Services	947,050		947,050	717,092
General and administrative	64,801		64,801	53,082
Special Event expense (Note 2)	40,705		40,705	36,772
Fundraising	54,428		54,428	52,947
Total Support Services	159,934		159,934	142,801
Total Expenses	1,106,984		1,106,984	859,893
Change in Net Assets	(21,967)	797	(21,170)	(20,857)
Net assets at beginning of year	56,599	47,917	104,516	125,373
Net Assets at End of Year	\$ 34,632	48,714	83,346	\$104,516