

ACCOUNTANTS' REVIEW REPORT

We have reviewed the accompanying statement of assets and net assets (modified cash basis) of Mercer Island Schools Foundation (the Foundation) as of June 30, 2011, 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 information included in these financial statements is the representation of the management of the Foundation. The prior year summarized comparative information has been derived from the Foundation's financial statements for the year ended June 30, 2010, which were reviewed by us, and in our report dated July 28, 2010, we noted no material modifications that should be made in order for the financial statements to be in conformity with accounting principles generally accepted in the United States of America.

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
August 29, 2011

Statements Of Assets And Net Assets

(Modified Cash Basis) June 30, 2011 (with comparative totals for 2010)

	2011	2010
Assets		
Cash:		
Checking	\$81,073	\$56,588
Savings	967,178	102,645
Total cash	1,048,251	159,233
Total Assets	\$1,048,251	\$159,233
Net Assets		
Unrestricted:		
Undesignated	\$924,845	\$122,812
Designated by the Board (Note 1)	5,931	1,752
Total unrestricted	930,776	124,564
Temporarily restricted (Note 1)	117,475	34,669
Total Net Assets	\$1,048,251	\$159,233

See accompanying notes to financial statements and independent accountants' review report.

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 in the fall and a fund-raising breakfast event in the spring. In 2011 and 2010, the Foundation solicited gifts to help the District "Bridge the Gap" to restore funding for teachers and programs in response to severe budget cuts planned by the District.

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, the middle school "Where Everybody Belongs" program, 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.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment - During the year ended June 30, 2010, the Foundation's computers and related software were disposed of and their replacements were expensed. For the year ended June 30, 2011, there were no additions to, or

purchases of, fixed assets.

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, 2011, unrestricted net assets amounted to \$930,776 (2010 - \$124,564). Unrestricted net assets designated by the Board consist of monies approved for specific projects to be spent within one year and amounted to \$5,931 at June 30, 2011 (2010 - \$1,752).

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, 2011, temporarily restricted net assets restricted to programs amounted to \$117,475 (2010 - \$34,669).

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 \$2,740 related to both program and administration for the year ended June 30, 2011 (2010 - \$8,537).

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.

Subsequent Events - The financial statements were approved and authorized for issuance by management on August 29, 2011.

Reclassifications - Certain reclassifications have been made to 2010 amounts to conform to the 2011 presentation. The reclassifications had no effect on the change in net assets or net asset balances as previously reported.

Summarized Information for 2010 - The financial statements include certain prior-year summarized com-

parative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Note 2 - Special Event

The Foundation organized its eighth annual fundraising breakfast event during April 2011. Contributions collected from this event were \$337,322 and expenses were \$35,539. The Foundation anticipates holding this event again next year.

A portion of the event proceeds in 2010 were used by the Foundation to provide support for Bailey Gatzert Elementary School, a school within the Seattle School District. For the year ended June 30, 2011 there were no contributions made to the Bailey Gatzert Elementary School (2010 - \$20,000).

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 value and is recognized in the Foundation's financial statements as in-kind contributions by the District and expenditures in the Foundation's statement of activities (modified cash basis). These amounts totaled \$2,500 for the year ended June 30, 2011 (2010 - \$2,500).

Note 4 - Bridge the Gap Contributions

At the request of the District, the Foundation held onto the Bridge the Gap funds raised in the Foundation's spring 2011 Campaign, and will be disbursing these funds to the District throughout the 2011-2012 school year. These funds totaled approximately \$950,000 at year end. Amounts received immediately after year end through challenge grants and gift matching will bring the total to approximately \$1,200,000.

Note 5 - Multi-Cultural Scholars Program

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 Multi-Cultural Scholars Program did not occur for the year ended June 30, 2011 (2010 - Collected \$36,363 and disbursed \$37,481).

Statement Of Activities (Modified Cash Basis) For The Year Ended June 30, 2011 (With Comparative Totals For 2010)

	Unrestricted	Temporarily Restricted	Total 2011	Total 2010
Support and Revenue:				
Individuals	\$447,601	\$123,707	\$571,308	\$492,229
Bridge the Gap campaign	427,854		427,854	436,192
Bridge the Gap - challenge grant	165,000		165,000	85,000
Special event (Note 2)	337,322		337,322	324,207
Corporate gift matching	129,977	3,550	133,527	107,664
Foundation & corporate grants				16,000
Giving campaigns	17,344		17,344	19,496
Interest and dividends	327		327	171
Realized loss on investments	(381)		(381)	(676)
In-kind	2,740		2,740	8,537
Miscellaneous	383		383	
	1,528,167	127,257	1,655,424	1,488,820
	44,451	(44,451)		
Total Support and Revenue	1,572,618	82,806	1,655,424	1,488,820
Expenses:				
Program services:				
Academic support & enrichment:				
Bridge the Gap program restoration	150,000		150,000	700,000
School improvement plans	71,363		71,363	32,390
Classroom enrichment grants	56,078		56,078	68,202
Instructional materials	1,442		1,442	17,139
Fine arts programs	35,004		35,004	32,724
Bailey Gatzert Elementary Sch (Note 2)				20,000
Technology				4,600
Desig grants/multicultural scholars	4,344		4,344	39,281
Desig grants/MIHS football	4,417		4,417	3,300
Desig grants/solar panel project	1,893		1,893	6,156
Desig grants/other projects	13,069		13,069	4,710
Desig grants/wrestling club	5,125		5,125	
Desig grants/Joyce Hedlund Memorial	26		26	
K-8 science materials review	74,457		74,457	23,175
Science program review				
K-5 math curriculum adoption	32,648		32,648	173,542
2020 Vision Investment Fund	8,498		8,498	
Professional development/teachers:				
National board certification support	14,979		14,979	23,085
Other professional development	1,000		1,000	2,592
Student support programs:				
Autism spectrum program support				2,072
Bridges	14,311		14,311	20,822
Culminating project support	367		367	33,114
IMHS Struggling Learner's Support	20,410		20,410	6,801
IMS/Where Everybody Belongs	19,678		19,678	
Parent education	2,681		2,681	6,440
Total Program Services	531,790		531,790	1,220,145
General and administrative				
Special Event expense (Note 2)	110,815		110,815	91,648
Fundraising	35,539		35,539	36,743
	88,262		88,262	64,397
Total Support Services	234,616		234,616	192,788
Total Expenses	766,406		766,406	1,412,933
Change in Net Assets	806,212	82,806	889,018	75,887
Net assets at beginning of year	124,564	34,669	159,233	83,346
Net Assets at End of Year	\$930,776	\$ 117,475	\$ 1,048,251	\$159,233

See accompanying notes to financial statements and independent accountants' review report.

To obtain additional financial disclosure information on file with the Secretary of State, contact the Secretary of State Charities Program at 1-800-332-GIVE. We invite you to join us in promoting quality education in our classrooms.

www.misf.com

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Seattle, Washington 98124-0172

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Tax Deductible Contribution Levels

\$10,000 Special Recognition

\$5,000 Honors

\$2,500 Benefactor

\$1,000 Patron

\$500 Friend

Other Amount

Mercer Island Schools Foundation is a private, nonprofit, 501(c)(3) tax-exempt corporation dedicated to enhancing the quality of education in Mercer Island schools.