

**PACIFIC NORTHWEST ASSOCIATION
OF INDEPENDENT SCHOOLS**

FINANCIAL REPORT

JUNE 30, 2010

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Pacific Northwest Association of Independent Schools
Seattle, Washington

We have audited the accompanying statements of financial position of Pacific Northwest Association of Independent Schools ("PNAIS") as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of PNAIS. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Northwest Association of Independent Schools as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Peterson Sullivan LLP

October 5, 2010

PACIFIC NORTHWEST ASSOCIATION OF INDEPENDENT SCHOOLS

STATEMENTS OF FINANCIAL POSITION

June 30, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and cash equivalents	\$ 369,549	\$ 328,757
Accounts receivable	13,362	8,182
Prepaid expenses	<u>18,568</u>	<u>13,561</u>
Total current assets	401,479	350,500
Cash Restricted for Endowment	2,043	2,043
Property and Equipment		
Buildings	463,870	463,870
Computer equipment and software	93,006	97,408
Furniture and other equipment	<u>35,675</u>	<u>35,675</u>
	592,551	596,953
Less accumulated depreciation and amortization	<u>(180,754)</u>	<u>(146,507)</u>
	<u>411,797</u>	<u>450,446</u>
Total assets	<u><u>\$ 815,319</u></u>	<u><u>\$ 802,989</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 39,673	\$ 65,395
Accrued expenses and deferred revenue	<u>26,966</u>	<u>24,292</u>
Total current liabilities	66,639	89,687
Net Assets		
Unrestricted		
Undesignated	22,901	16,601
Invested in property and equipment	411,797	450,446
Designated for operating reserves	238,067	191,109
Designated for capital reserves	<u>73,033</u>	<u>45,982</u>
Total unrestricted	745,798	704,138
Temporarily restricted	839	7,121
Permanently restricted	<u>2,043</u>	<u>2,043</u>
Total net assets	<u>748,680</u>	<u>713,302</u>
Total liabilities and net assets	<u><u>\$ 815,319</u></u>	<u><u>\$ 802,989</u></u>

See Notes to Financial Statements

PACIFIC NORTHWEST ASSOCIATION OF INDEPENDENT SCHOOLS

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2010 and 2009

	2010			2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue								
Dues	\$ 610,929	\$ -	\$ -	\$ 610,929	\$ 583,375	\$ -	\$ -	\$ 583,375
Conferences	397,278			397,278	382,801			382,801
Interest and other income	21,178	18		21,196	47,058	49		47,107
Contributions and sponsorships	11,205			11,205	16,925	6,300		23,225
Total support and revenue	1,040,590	18		1,040,608	1,030,159	6,349		1,036,508
Net assets released from restriction	6,300	(6,300)			3,900	(3,900)		
Total revenue	1,046,890	(6,282)		1,040,608	1,034,059	2,449		1,036,508
Expenses								
Program services	758,207			758,207	736,142			736,142
Management and general	247,023			247,023	266,096			266,096
Total expenses	1,005,230			1,005,230	1,002,238			1,002,238
Change in net assets	41,660	(6,282)		35,378	31,821	2,449		34,270
Net assets, beginning of year	704,138	7,121	2,043	713,302	672,317	4,672	2,043	679,032
Net assets, end of year	<u>\$ 745,798</u>	<u>\$ 839</u>	<u>\$ 2,043</u>	<u>\$ 748,680</u>	<u>\$ 704,138</u>	<u>\$ 7,121</u>	<u>\$ 2,043</u>	<u>\$ 713,302</u>

See Notes to Financial Statements

PACIFIC NORTHWEST ASSOCIATION OF INDEPENDENT SCHOOLS

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2010 and 2009

	2010						
	Program Services						2009
	Membership and Accreditation	Conferences	Total	Management and General	Total		Totals
Salaries and benefits	\$ 182,398	\$ 163,119	\$ 345,517	\$ 152,495	\$ 498,012		\$ 473,306
Direct conference costs		298,071	298,071		298,071		315,804
Office expenses	801	12,897	13,698	25,815	39,513		40,040
Professional services	11,346	378	11,724	15,453	27,177		34,482
Occupancy	4,695	2,209	6,904	6,905	13,809		12,576
Staff development and travel	2,056	5,681	7,737	8,840	16,577		18,312
Association governance	28,290		28,290		28,290		26,316
Taxes and insurance		957	957	18,191	19,148		19,219
Depreciation and amortization	13,140	6,185	19,325	19,324	38,649		36,074
Resource services	25,984		25,984		25,984		26,109
	<u>\$ 268,710</u>	<u>\$ 489,497</u>	<u>\$ 758,207</u>	<u>\$ 247,023</u>	<u>\$ 1,005,230</u>		
Total expenses - 2010							
	<u>\$ 246,036</u>	<u>\$ 490,106</u>	<u>\$ 736,142</u>	<u>\$ 266,096</u>			<u>\$ 1,002,238</u>
Total expenses - 2009							

See Notes to Financial Statements

PACIFIC NORTHWEST ASSOCIATION OF INDEPENDENT SCHOOLS

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Change in net assets	\$ 35,378	\$ 34,270
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	38,649	36,074
Non-cash additions to equipment		(20,833)
Changes in operating assets and liabilities:		
Accounts receivable	(5,180)	2,934
Prepaid expenses	(5,007)	(1,425)
Accounts payable	(25,722)	8,589
Accrued expenses and deferred revenue	2,674	(77)
	40,792	59,532
Cash Flows from Investing Activity		
Purchase of property and equipment		(7,834)
	40,792	51,698
Cash and cash equivalents, beginning of year	328,757	277,059
Cash and cash equivalents, end of year	\$ 369,549	\$ 328,757

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

Pacific Northwest Association of Independent Schools ("PNAIS") is a professional organization serving independent elementary and secondary schools in Alaska, Idaho, Montana, Nevada, Oregon, Utah, Washington, Wyoming, and British Columbia. Over 28,600 students are enrolled in the 91 accredited and candidate member schools and 19 affiliates, founders, and subscriber schools (non-member categories). The primary mission of PNAIS is to establish comprehensive accreditation standards that promote high educational quality, to foster collegial and ethical leadership, and to safeguard and represent the interests of its schools.

Financial Statement Presentation

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

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by actions of PNAIS or the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed restrictions that the assets be maintained permanently by PNAIS.

Revenue is reported as increases in unrestricted net assets unless the donor restricts use of the related assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Temporarily restricted revenue that is received and for which the restrictions are met in the same year is treated as unrestricted.

Cash and Cash Equivalents

For the purpose of reporting cash flows, PNAIS considers cash equivalents to be all highly liquid debt instruments purchased with an original maturity of three months or less. PNAIS places its cash only in high quality financial institutions. At times, the amounts of cash and cash equivalents on deposit may exceed federally insured limits.

Property and Equipment

Property and equipment is recorded at cost, if purchased, or at fair value at the date of receipt, if contributed. PNAIS's policy is to capitalize assets with a cost greater than \$1,000 and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Computer equipment and software	3 years
Furniture and other equipment	3 – 5 years

Functional Allocation of Expenses

The costs of providing various program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services they benefited.

Deferred Revenue and Revenue Recognition

Membership dues are recorded as unearned revenue and recognized as revenue over the period to which they apply. Revenue from conferences is recognized when the conference is held. Revenue received for future conferences is deferred until the period in which the conference is held.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Income Taxes

PNAIS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, there is no provision for federal income taxes. PNAIS' Form 990 returns are open to examination for the three most recent years.

Subsequent Events

PNAIS has evaluated subsequent events through the date these financial statements were available to be issued, which was on October 5, 2010.

Note 2. Restrictions on Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at June 30:

	2010	2009
Crisis management	\$ 839	\$ 821
Time restrictions		6,300
	<u>\$ 839</u>	<u>\$ 7,121</u>

Permanently Restricted Net Assets

PNAIS has a single \$2,043 endowment. The endowment income is restricted to crisis management workshops designed to help teachers and administrators learn how to cope with loss and disaster, and to be able to help guide their students through the coping process.

Note 3. Employee Benefit Plan

PNAIS has a 403(b) defined contribution retirement plan available to eligible employees. PNAIS contributes 3% of salary for each employee. PNAIS also matches participants' contributions up to an additional 2% of their salaries. PNAIS contributed \$18,164 and \$17,586 to the Plan for the years ended June 30, 2010 and 2009, respectively.

In addition, a 403(b) salary deferral plan is available to all eligible employees.

Note 4. Commitments

Operating Leases

PNAIS leases certain equipment under operating leases. Lease expense for these operating leases during the years ended June 30, 2010 and 2009, totaled \$10,464 and \$10,565, respectively.

As of June 30, 2010, future minimum lease payments under noncancelable operating leases are as follows:

2011	\$ 10,989
2012	11,546
2013	8,577
2014	1,702
2015	854
	<u>\$ 33,668</u>

Conference Facilities

PNAIS has reserved certain facilities in the Pacific Northwest for several conferences it is sponsoring that will occur subsequent to June 30, 2010. Although PNAIS does not intend to cancel any of the conferences, should events arise that would necessitate cancellation, it would be required to pay cancellation fees ranging from approximately \$308 to \$39,633 per event, depending on the facility and timing of cancellation. At June 30, 2010, total costs would be \$73,568 if all future events were canceled.

Note 5. Barter Transaction

In March 2007, PNAIS entered into a barter agreement for the development of its website. Revenue recognized from the barter transaction was \$20,833 for the year ended June 30, 2009. The revenue is included in interest and other income on the statements of activities. No revenue was recognized for the year ended June 30, 2010 as the agreement expired in March 2009.