

**PACIFIC NORTHWEST ASSOCIATION
OF INDEPENDENT SCHOOLS**

FINANCIAL REPORT

JUNE 30, 2011

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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, 2011 and 2010, 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, 2011 and 2010, 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 4, 2011

PACIFIC NORTHWEST ASSOCIATION OF INDEPENDENT SCHOOLS

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

ASSETS	2011	2010
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Current Assets		
Cash and cash equivalents	\$ 448,571	\$ 369,549
Accounts receivable	6,832	13,362
Prepaid expenses	27,225	18,568
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Total current assets	482,628	401,479
Cash Restricted for Endowment	2,043	2,043
Property and Equipment		
Buildings	464,980	463,870
Computer equipment and software	93,007	93,007
Furniture and other equipment	35,674	35,674
	<hr/>	<hr/>
	593,661	592,551
Less accumulated depreciation	<hr/>	<hr/>
	(209,404)	(180,754)
	<hr/>	<hr/>
	384,257	411,797
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Total assets	\$ 868,928	\$ 815,319
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LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 25,409	\$ 39,673
Accrued expenses	13,790	20,416
Deferred revenue	12,278	6,550
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Total current liabilities	51,477	66,639
Net Assets		
Unrestricted		
Undesignated	22,901	22,901
Invested in property and equipment	384,257	411,797
Designated for operating reserves	265,485	238,067
Designated for capital reserves	141,923	73,033
	<hr/>	<hr/>
Total unrestricted	814,566	745,798
Temporarily restricted	842	839
Permanently restricted	2,043	2,043
	<hr/>	<hr/>
Total net assets	817,451	748,680
	<hr/>	<hr/>
Total liabilities and net assets	\$ 868,928	\$ 815,319
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See Notes to Financial Statements

PACIFIC NORTHWEST ASSOCIATION OF INDEPENDENT SCHOOLS

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue								
Dues	\$ 633,637	\$ -	\$ -	\$ 633,637	\$ 610,929	\$ -	\$ -	\$ 610,929
Conferences	335,687			335,687	397,278			397,278
Other income	21,290	3		21,293	21,178	18		21,196
Sponsorships	7,872			7,872	11,205			11,205
Total support and revenue	998,486	3		998,489	1,040,590	18		1,040,608
Net assets released from restriction					6,300	(6,300)		
Total revenue	998,486	3		998,489	1,046,890	(6,282)		1,040,608
Expenses								
Program services	667,897			667,897	758,207			758,207
Management and general	261,821			261,821	247,023			247,023
Total expenses	929,718			929,718	1,005,230			1,005,230
Change in net assets	68,768	3		68,771	41,660	(6,282)		35,378
Net assets, beginning of year	745,798	839	2,043	748,680	704,138	7,121	2,043	713,302
Net assets, end of year	<u>\$ 814,566</u>	<u>\$ 842</u>	<u>\$ 2,043</u>	<u>\$ 817,451</u>	<u>\$ 745,798</u>	<u>\$ 839</u>	<u>\$ 2,043</u>	<u>\$ 748,680</u>

See Notes to Financial Statements

PACIFIC NORTHWEST ASSOCIATION OF INDEPENDENT SCHOOLS

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2011 and 2010

	2011					2010
	Program Services			Management and General	Total	Totals
	Membership and Accreditation	Conferences	Total			
Salaries and benefits	\$ 178,392	\$ 159,980	\$ 338,372	\$ 170,029	\$ 508,401	\$ 498,012
Direct conference costs		232,415	232,415		232,415	298,071
Office expenses	728	12,687	13,415	25,581	38,996	39,513
Professional services	9,961	290	10,251	16,010	26,261	27,177
Occupancy	4,835	2,275	7,110	7,111	14,221	13,809
Staff development and travel	2,143	6,236	8,379	8,718	17,097	16,577
Association governance	16,278		16,278		16,278	28,290
Taxes and insurance		1,055	1,055	20,047	21,102	19,148
Depreciation	9,741	4,584	14,325	14,325	28,650	38,649
Resource services	26,297		26,297		26,297	25,984
Total expenses - 2011	<u>\$ 248,375</u>	<u>\$ 419,522</u>	<u>\$ 667,897</u>	<u>\$ 261,821</u>	<u>\$ 929,718</u>	
Total expenses - 2010	<u>\$ 268,710</u>	<u>\$ 489,497</u>	<u>\$ 758,207</u>	<u>\$ 247,023</u>		<u>\$ 1,005,230</u>

See Notes to Financial Statements

PACIFIC NORTHWEST ASSOCIATION OF INDEPENDENT SCHOOLS

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	\$ 68,771	\$ 35,378
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	28,650	38,649
Changes in operating assets and liabilities:		
Accounts receivable	6,530	(5,180)
Prepaid expenses	(8,657)	(5,007)
Accounts payable	(14,264)	(25,722)
Accrued expenses	(6,626)	2,073
Deferred revenue	5,728	601
	80,132	40,792
Net cash provided by operating activities		
Cash Flows from Investing Activity		
Purchase of property and equipment	(1,110)	
	79,022	40,792
Net change in cash and cash equivalents		
Cash and cash equivalents, beginning of year	369,549	328,757
	\$ 448,571	\$ 369,549
Cash and cash equivalents, end of year	\$ 448,571	\$ 369,549

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 30,050 students are enrolled in the 83 accredited and candidate member schools and 25 affiliate, founder, 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' 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.

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. Corporate sponsorships are recorded as unearned revenue and recognized over the time period to which the corporate sponsors will receive the related benefits of their sponsorship.

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 by federal authorities 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 the same date as the independent auditors' report.

Reclassifications

Certain items in the 2010 financial statements have been reclassified to conform to the current year presentation.

Note 2. Restrictions on Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for crisis management workshops at both June 30, 2011 and 2010.

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. Salary deferral contributions are allowed and, additionally, PNAIS contributes 3% of each employee's salary and also matches participants' contributions up to an additional 2% of their salaries. PNAIS contributed \$18,753 and \$18,164 to the plan for the years ended June 30, 2011 and 2010, respectively.

Note 4. Commitments

Operating Leases

PNAIS leases certain equipment under operating leases. Lease expense for these operating leases during the years ended June 30, 2011 and 2010, totaled \$10,989, and \$10,464, respectively.

As of June 30, 2011, future minimum lease payments under noncancelable operating leases are as follows:

2012	\$	8,188
2013		1,708
2014		1,708
2015		854
		<hr/>
	\$	<u>12,458</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, 2011. 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 \$1,910 to \$28,448 per event, depending on the facility and timing of cancellation. At June 30, 2011, total costs would be \$95,621 if all future events were cancelled.

Note 5. Subsequent Event

On August 3, 2011, PNAIS entered into a contract with Pennon Construction Company, Inc. for remodel work on their existing office space. The contract is valued at \$49,177 and the work under the contract was completed in September 2011.