

ISSAQUAH SCHOOLS FOUNDATION

**Financial Statements
for the Year Ended June 30, 2006
and Independent Accountants' Review Report**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Issaquah Schools Foundation
Issaquah, Washington

We have reviewed the accompanying statement of assets, liabilities, and net assets - cash basis of Issaquah Schools Foundation (a nonprofit organization) as of June 30, 2006, and the related statement of revenues, expenses, and other changes in net assets - 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 Issaquah Schools Foundation.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, 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 cash basis of accounting, as described in Note 2.

Watson & McDonell, PLLC

January 31, 2007

ISSAQUAH SCHOOLS FOUNDATION
Statement of Assets, Liabilities, and Net Assets - Cash Basis
June 30, 2006

ASSETS

Cash and cash equivalents	\$ 94,296
Furniture and equipment	4,830
Less: accumulated depreciation	<u>(1,954)</u>
	<u>\$ 97,172</u>

LIABILITIES AND NET ASSETS

Net assets:	
Unrestricted	\$ 89,972
Temporarily restricted	<u>7,200</u>
	<u>\$ 97,172</u>

See accompanying notes and accountants' report.

ISSAQUAH SCHOOLS FOUNDATION
Statement of Revenues, Expenses, and Other Changes in Net Assets - Cash Basis
For the Year Ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2006</u>
Revenue and support:			
Community and corporate	\$ 62,032	\$ 14,500	\$ 76,532
Special events	280,024		280,024
Grants	5,000		5,000
Interest	2,643		2,643
Other revenue	6,893		6,893
Net assets released	30,445	(30,445)	
	<u>387,037</u>	<u>(15,945)</u>	<u>371,092</u>
Program expenses:			
Grants awarded	274,971		274,971
Payroll and contract services	8,978		8,978
	<u>283,949</u>		<u>283,949</u>
Management and general:			
Payroll and contract services	20,926		20,926
Depreciation	388		388
Insurance	1,741		1,741
Miscellaneous	2,818		2,818
Office supplies and expenses	6,275		6,275
Training and conferences	366		366
Website and internet	960		960
	<u>33,474</u>		<u>33,474</u>
Fund-raising:			
Payroll and contract services	43,007		43,007
Depreciation	285		285
Annual report	4,798		4,798
Calendar costs	15,366		15,366
Luncheon costs	24,538		24,538
Miscellaneous	727		727
Phone-a-thon	8,238		8,238
	<u>96,959</u>		<u>96,959</u>
	<u>414,382</u>		<u>414,382</u>
Increase (decrease) in net assets	(27,345)	(15,945)	(43,290)
Net assets, beginning of year	<u>117,317</u>	<u>23,145</u>	<u>140,462</u>
Net assets, end of year	<u>\$ 89,972</u>	<u>\$ 7,200</u>	<u>\$ 97,172</u>

See accompanying notes and accountants' report.

ISSAQUAH SCHOOLS FOUNDATION
Notes to Financial Statements

NOTE 1 – NATURE AND PURPOSE OF THE ORGANIZATION

The Issaquah Schools Foundation (ISF) is a Washington nonprofit corporation established in 1987 to enhance the education provided to students of the Issaquah School District. The foundation currently supports students in the Issaquah School District through academic enrichment grants, VOICE (a mentoring program), SafeNet (a program for “at risk” youth) and a National Board Certification Scholarship Program for Teachers. Virtually all of the foundation’s revenue comes from corporate and individual contributions and grants.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of financial presentation

The accompanying financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, revenue is recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, due to satisfaction of program restrictions, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and cash equivalents

For the purpose of the statement of cash flows, ISF considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Property and equipment

All acquisitions of property and equipment in excess of \$500 with a useful life greater than one year are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

ISSAQUAH SCHOOLS FOUNDATION
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Tax-exempt status

ISF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, ISF qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

NOTE 3 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of contributions which are restricted to ISF's various projects. This consists of \$7,200 of donations for the new Grand Ridge Elementary School.

NOTE 4 – CONCENTRATIONS AND RISKS

ISF conducts virtually all of its operations with revenues received from contributions. During the year ended June 30, 2006, 64 percent of ISF's contributions came from ten percent of its contributors.

ISF maintains cash balances at high-credit-quality institutions. At times the bank balances may exceed the federally insured limit of \$100,000. In addition, as of June 30, 2006, \$39,213 was invested in a brokerage money market fund which is not federally insured.

NOTE 5 – DONATED SERVICES, FACILITIES, AND MATERIALS

Volunteers play a vital role in our organization. In addition to our board members who meet once per month, approximately 136 volunteers contributed more than 5,648 hours during the 2005-2006 school year to help accomplish the goals of ISF.

ISF does not incur cost for office space. Costco Wholesale provides office space valued at \$6,300 per year in one of their leased buildings.

Individuals and businesses donated materials with an estimated fair value of \$33,115. These items were sold at auction during the Kick-Off for Kids Luncheon, the Foundation's major community outreach and fund-raising activity.

No amounts have been reflected in the financial statements for donated services, facilities, or materials.

ISSAQUAH SCHOOLS FOUNDATION
Notes to Financial Statements

NOTE 6 – COMMITMENTS

As of June 30, 2006, ISF had committed \$105,795 to support the SafeNet and After-School Study Programs at all four Issaquah School District middle schools and an After-School Study Program at the Pacific Cascade Freshmen Campus during the 2006-2007 school year. The SafeNet Program provides critical support to students struggling with the difficult transition from elementary to middle school. Support has also been committed to the VOICE program in the amount of \$22,050, to the National Board Certification Scholarship program for Teachers in the amount of \$13,500, and the Nurses fund for \$5,000 during the 2006-2007 school year.

NOTE 7 – PRIOR-PERIOD ADJUSTMENT

Unrestricted and temporarily restricted net assets at the beginning of the year ended June 30, 2006, have been adjusted to correct an error discovered during the current year. Unrestricted net assets were decreased and temporarily restricted net assets were increased by \$7,200. The correction has no effect on the results of the current year's activities.

NOTE 8 – SUBSEQUENT EVENT

During recent years the Issaquah Schools Foundation had been part of the nation-wide Communities In Schools Network (CIS). During November, 2006, ISF discontinued its affiliation with CIS.