

**IOWA ASSOCIATION OF SCHOOL
BOARDS FOUNDATION, INC.**

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2006 AND 2005**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Iowa Association of School Boards Foundation, Inc.
Des Moines, Iowa

We have audited the accompanying statements of financial position of the Iowa Association of School Boards Foundation, Inc. (the Foundation) as of June 30, 2006 and 2005 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of America. Those standards require that we plan and perform the audits 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 the Foundation as of June 30, 2006 and 2005, 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 of America.

Brooks Lodden, P.C.

West Des Moines, Iowa
September 11, 2006

IOWA ASSOCIATION OF SCHOOL BOARDS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2006 and 2005

ASSETS	2006	2005
Cash	\$ 2,066	\$ 174,098
Prepaid expenses	246	-
Pledges receivable	99,349	17,943
Total assets	<u>\$ 101,661</u>	<u>\$ 192,041</u>
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 18,169	\$ -
Due to Iowa Association of School Boards	76,897	61,179
Total liabilities	<u>\$ 95,066</u>	<u>\$ 61,179</u>
 NET ASSETS		
Unrestricted net assets	\$ (71,849)	\$ 68,637
Temporarily net assets	78,444	62,225
Total net assets	<u>\$ 6,595</u>	<u>\$ 130,862</u>
Total liabilities and net assets	<u>\$ 101,661</u>	<u>\$ 192,041</u>

See Notes to Financial Statements.

IOWA ASSOCIATION OF SCHOOL BOARDS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2006 and 2005

	2006		
	Unrestricted	Temporarily Restricted	Total
Public support and revenue:			
Contributions	\$ 19,445	\$ 235,319	\$ 254,764
Consultation professional services	3,050	-	3,050
Interest income	3,348	-	3,348
	<hr/>	<hr/>	<hr/>
Total public support and revenues	\$ 25,843	\$ 235,319	\$ 261,162
	<hr/>	<hr/>	<hr/>
Net assets released from restrictions:			
Satisfaction of program restrictions	\$ 219,100	\$ (219,100)	\$ -
Total released from restrictions	\$ 219,100	\$ (219,100)	\$ -
	<hr/>	<hr/>	<hr/>
Expenses:			
Program	\$ 226,972	\$ -	\$ 226,972
Administrative	70,846	-	70,846
Fundraising	87,611	-	87,611
	<hr/>	<hr/>	<hr/>
Total expenses	\$ 385,429	\$ -	\$ 385,429
	<hr/>	<hr/>	<hr/>
Change in net assets	\$ (140,486)	\$ 16,219	\$ (124,267)
	<hr/>	<hr/>	<hr/>
Net assets at beginning of year	68,637	62,225	130,862
	<hr/>	<hr/>	<hr/>
Net assets at end of year	\$ (71,849)	\$ 78,444	\$ 6,595
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Notes to Financial Statements.

2005

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 734	\$ 122,656	\$ 123,390
50,000	-	50,000
2,311	-	2,311
<u>\$ 53,045</u>	<u>\$ 122,656</u>	<u>\$ 175,701</u>
\$ 60,431	\$ (60,431)	\$ -
<u>\$ 60,431</u>	<u>\$ (60,431)</u>	<u>\$ -</u>
\$ 90,431	\$ -	\$ 90,431
8,985	-	8,985
1,121	-	1,121
<u>\$ 100,537</u>	<u>\$ -</u>	<u>\$ 100,537</u>
\$ 12,939	\$ 62,225	\$ 75,164
55,698	-	55,698
<u>\$ 68,637</u>	<u>\$ 62,225</u>	<u>\$ 130,862</u>

IOWA ASSOCIATION OF SCHOOL BOARDS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (124,267)	\$ 75,164
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
(Increase) in pledges receivable	(81,407)	(17,943)
(Increase) in prepaid expenses	(246)	-
Increase in accounts payable	18,169	-
Increase in due to Iowa Association of School Boards	15,719	61,178
	<u>\$ (172,032)</u>	<u>\$ 118,399</u>
Net cash provided by (used in) operating activities		
	\$ (172,032)	\$ 118,399
Net increase (decrease) in cash		
Cash at beginning of year	<u>174,098</u>	<u>55,699</u>
Cash at end of year	<u>\$ 2,066</u>	<u>\$ 174,098</u>

See Notes to Financial Statements.

IOWA ASSOCIATION OF SCHOOL BOARDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of the organization:

Iowa Association of School Boards Foundation, Inc. (the Foundation) is a nonprofit corporation and is operated exclusively for charitable, informational, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The purpose for which the Foundation was formed and the objectives to be carried on and promoted by it is to serve the educational needs of Iowa public school boards. The Foundation is related with the Iowa Association of Schools Boards by virtue of common management and board of directors. The organization's current primary program is Communities for Literate Iowa Kids (CLIK). CLIK provides an initiative to learn how communities and schools can unite to form partnerships, identify needs and implement initiatives to support early literacy development.

A summary of the organization's significant accounting policies follows:

Classification of net assets:

Unrestricted - assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. The organization's governing board may earmark portions of its unrestricted net assets as board-designated for various purposes.

Temporarily restricted - assets resulting from contributions and other inflows of assets whose use by the organization is limited to donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the organization meeting the purpose of the restriction.

Permanently restricted - assets resulting from contributions which are permanently restricted by donors. Although such assets may not be expended, the investment income earned on them is generally to be expended for a specific purpose. The organization has no such assets.

Use of estimates:

The preparation of the statement of financial position in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Cash and cash equivalents:

The organization considers all unrestricted deposits, including savings and money market accounts with maturities of three months or less, to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (*Continued*)

A summary of the organization's significant accounting policies follows: (*Continued*)

Promises to give:

Contributions, which are defined as unconditional transfers of cash or other assets including unconditional promises to give those items in the future, are measured at fair value on the date received and recognized as revenue. The imposition of restrictions on how a contribution is to be used does not delay recognition. However, the recognition of conditional gifts is delayed until the conditions are met.

The organization distinguishes between contributions received with temporary restrictions and those without donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as restricted support. Receipts of unconditional promises to give with payments due in future periods are reported as restricted support unless it is clear that the donor intended the gift to be used to support activities in the current period. Gifts of long-lived assets received without donor-imposed restrictions are considered unrestricted support.

Income taxes:

The organization has received a determination letter from the Internal Revenue Service dated October 15, 2001, stating that it qualifies under Section 501(c)(3) of the Internal Revenue Code to be exempt from federal income taxes.

Upon dissolution of the Foundation, all net assets shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3) or to the federal government or to a state or local government for public purpose.

Note 2. Concentrations

The organization maintains their cash in a bank deposit account which, at times, exceeded the Federal Deposit Insurance Corporation insured \$100,000 limit throughout the year ended June 30, 2006.

Note 3. Pledges Receivable

The organization has recorded the receipt of various unconditional promises to give. These unconditional promises totaled \$115,775 and \$20,287 at June 30, 2006 and 2005, respectively.

Total contributions receivable presented at fair value as of June 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Contributions receivable:		
Receivable in less than one year	\$30,775	\$ 5,287
Receivable in one to five years	85,000	15,000
Unamortized discount	<u>(16,426)</u>	<u>(2,344)</u>
	<u>\$99,349</u>	<u>\$17,943</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Restricted for specific purposes:		
Communities for Literate Iowa Kids	\$ -	\$ 62,225
Communities for Literate Iowa Kids – Initiatives	75,170	-
Communities for Literate Iowa Kids – Grinnell Initiatives	1,397	-
Communities for Literate Iowa Kids – Nodaway Valley Initiatives	<u>1,877</u>	<u>-</u>
	<u>\$ 78,444</u>	<u>\$ 62,225</u>

Note 5. 401(k) Plan

The organization has a 401(k) plan which covers substantially all employees. Employees may begin participating in the plan once they are at least age 21 and have completed 6 months of service with the organization. Under the terms of the plan, employer-matching contributions are discretionary. Contributions to the plan for the years ended June 30, 2006 and 2005 were \$3,778 and \$-0-, respectively.

Note 6. Related Party Transactions

The Iowa Association of School Boards (the Association) advanced monies to the organization for June 30, 2006 and 2005 to cover certain expenses. Total amounts advanced to the organization for these expenses were \$45,073 and \$61,180, respectively. In addition, the Association charges the organization an administration fee of 9 percent of expenses. The fee charged for June 30, 2006 and 2005 was \$31,824 and \$-0-, respectively. Amounts owed to the Association at June 30, 2006 and 2005 were \$76,897 and \$61,180, respectively.

Note 7. Reclassifications

Certain amounts from the June 30, 2005 financial statements have been reclassified to conform to the June 30, 2006 presentation.