

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

**FINANCIAL STATEMENTS**

**YEARS ENDED  
JUNE 30, 2007 AND 2006**

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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, 2007 and 2006 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, 2007 and 2006, 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.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in note 2 to the financial statements, the Organization has suffered recurring significant reductions in contribution revenues and has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty

*Brooks Lodden, P.C.*

West Des Moines, Iowa  
September 20, 2007

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

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2007 and 2006

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Cash	\$ 1,887	\$ 2,066
Prepaid expenses	-	246
Accounts receivable	20,676	-
Pledges receivable	9,377	99,349
Total assets	<u>\$ 31,940</u>	<u>\$ 101,661</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 54,441	\$ 18,169
Due to Iowa Association of School Boards	401,817	76,897
Deferred revenue	1,700	-
Total liabilities	<u>\$ 457,958</u>	<u>\$ 95,066</u>
<b>NET ASSETS</b>		
Unrestricted net assets(deficit)	\$ (442,518)	\$ (71,849)
Temporarily restricted net assets	16,500	78,444
Total net assets(deficit)	<u>\$ (426,018)</u>	<u>\$ 6,595</u>
Total liabilities and net assets(deficit)	<u>\$ 31,940</u>	<u>\$ 101,661</u>

*See Notes to Financial Statements.*

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

**STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2007 and 2006

	<b>2007</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Public support and revenue:</b>			
Contributions	\$ 21,701	\$ 133,694	\$ 155,395
Grants	26,150	-	26,150
Consultation professional services	92,725	-	92,725
Interest income	441	-	441
	<hr/>	<hr/>	<hr/>
Total public support and revenues	\$ 141,017	\$ 133,694	\$ 274,711
	<hr/>	<hr/>	<hr/>
<b>Net assets released from restrictions:</b>			
Satisfaction of program restrictions	\$ 110,710	\$ (110,710)	\$ -
Total released from restrictions	\$ 110,710	\$ (110,710)	\$ -
	<hr/>	<hr/>	<hr/>
<b>Expenses:</b>			
Program	\$ 432,134	\$ -	\$ 432,134
Administrative	121,399	-	121,399
Fundraising	58,331	-	58,331
Loss on pledges	10,532	84,928	95,460
	<hr/>	<hr/>	<hr/>
Total expenses	\$ 622,396	\$ 84,928	\$ 707,324
	<hr/>	<hr/>	<hr/>
Change in net assets	\$ (370,669)	\$ (61,944)	\$ (432,613)
	<hr/>	<hr/>	<hr/>
Net assets (deficit) at beginning of year	(71,849)	78,444	6,595
	<hr/>	<hr/>	<hr/>
Net assets (deficit) at end of year	\$ (442,518)	\$ 16,500	\$ (426,018)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*See Notes to Financial Statements.*

**2006**

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 19,445	\$ 235,319	\$ 254,764
-	-	-
3,050	-	3,050
3,348	-	3,348
\$ 25,843	\$ 235,319	\$ 261,162
\$ 219,100	\$ (219,100)	\$ -
\$ 219,100	\$ (219,100)	\$ -
\$ 226,972	\$ -	\$ 226,972
70,846	-	70,846
87,611	-	87,611
-	-	-
\$ 385,429	\$ -	\$ 385,429
\$ (140,486)	\$ 16,219	\$ (124,267)
68,637	62,225	130,862
\$ (71,849)	\$ 78,444	\$ 6,595
\$ (71,849)	\$ 78,444	\$ 6,595

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

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets (deficit)	\$ (432,613)	\$ (124,267)
Adjustments to reconcile the change in net assets to net cash (used in) operating activities:		
Adjustments for loss on pledges	84,928	-
Decrease (increase) in pledges receivable	5,044	(81,407)
(Increase) in accounts receivable	(20,676)	-
Decrease (increase) in prepaid expenses	246	(246)
(Decrease) increase in accounts payable	(40,625)	18,169
Increase in deferred revenue	1,700	-
	<u>\$ (401,996)</u>	<u>\$ (187,751)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from Iowa Association of School Boards	\$ 448,541	\$ 15,719
Payments on advances from Iowa Association of School Boards	<u>(46,724)</u>	<u>-</u>
	<u>\$ 401,817</u>	<u>\$ 15,719</u>
Net cash provided by financing activities		
	\$ (179)	\$ (172,032)
Net (decrease) in cash		
Cash at beginning of year	<u>2,066</u>	<u>174,098</u>
Cash at end of year	<u>\$ 1,887</u>	<u>\$ 2,066</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ 14,251</u>	<u>\$ -</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 (IASB) and its wholly owned subsidiary, Local Government Services (LGS), by virtue of common management and board of directors. The organization's current primary programs are the Lighthouse Project and the Communities for Literate Iowa Kids Project (CLIK). The Lighthouse Study was original, ground-breaking research to identify the differences between boards in high- and low-achieving school districts. The second phase of the study is more research to identify: 1) key roles of the school board for improving student learning, 2) important areas of performance for fulfilling those roles, and 3) the knowledge and skills board members need to improve those performance areas. The Lighthouse Multi-State phase of the project is designed to replicate the approach developed in Iowa and test its effectiveness in other states to compare effectiveness with best practices. The CLIK project is designed to promote effective policy and best practice in the early literacy development of all Iowa children by providing credible research, information and tools.

#### 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. Going Concern**

The Foundation currently has expenditures in excess of its unrestricted contribution income and has a net deficiency in net assets. The Foundation is borrowing from IASB to cash flow operations, as discussed in note 8.

Because it is unclear if the Foundation will be able to solicit enough "unrestricted" contributions to continue operations and repay the advances to IASB, there is uncertainty about the organization's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary should the organization be unable to continue as a going concern.

### **Note 3. 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, 2007.

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Pledges Receivable

The Foundation has recorded the receipt of various unconditional promises to give. These unconditional promises totaled \$10,000 and \$115,775 at June 30, 2007 and 2006, respectively.

Total contributions receivable presented at fair value as of June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Contributions receivable:		
Receivable in less than one year	\$ 5,000	\$ 30,775
Receivable in one to five years	5,000	85,000
Unamortized discount @ 6.5%	(623)	(16,426)
	<u>\$ 9,377</u>	<u>\$ 99,349</u>

### Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Restricted for specific purposes:		
CLIK – Cedar Falls/Waterloo	\$ 6,500	\$ -
CLIK – Initiatives	-	75,170
CLIK – Grinnell Initiatives	-	1,397
CLIK – Nodaway Valley Initiatives	-	1,877
Restricted due to time and purpose:		
CLIK	10,000	-
	<u>\$ 16,500</u>	<u>\$ 78,444</u>

### Note 6. 401(k) Plan

The organization participates in IASB's 401(k) plan which covers substantially all employees. Under the terms of the plan, employer-matching contributions are equal to 100% of employee contributions, up to 2% of eligible wages after six months of employment. The corporation also made a discretionary contribution of 5% for the fiscal year ending June 30, 2007. The contributions to the plan for the years ended June 30, 2007 and 2006 were \$8,799 and \$3,778, respectively.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Program Services

The Foundation's program services expenses for the years ended June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Program services:		
CLIK	\$153,430	\$192,016
Lighthouse Project	128,809	-
Other program services	<u>149,895</u>	<u>34,956</u>
Total program services	<u>\$432,134</u>	<u>\$226,972</u>

### Note 8. Related Party Transactions

The Foundation has an agreement with IASB to provide a cash flow loan to cover certain expenses. Total amounts advanced to the organization for these expenses for June 30, 2007 and 2006 were \$448,541 and \$45,073, respectively. IASB charges interest on the advances at the daily effective interest rate plus 1%. The interest rate charged as of June 30, 2007 was 5.92%. The interest paid on the advances was \$14,251 for the year ended June 30, 2007. In addition, the Foundation had an agreement with IASB to pay for certain administrative services performed at a fee of 9% of expenses. The fee charged for June 30, 2007 and 2006 was \$-0- and \$31,824, respectively. The administrative services agreement was revised on July 1, 2006 to pay the administrative services to LGS. Amounts owed to IASB at June 30, 2007 and 2006 were \$401,817 and \$76,897, respectively.

The Foundation has an agreement with LGS for June 30, 2007 to cover certain expenses. In addition, the Foundation has an agreement with LGS to pay for certain administrative services performed at a fee of 9% of expenses. The fee charged for June 30, 2007 was \$50,513. Amounts owed to LGS including the administrative fee were \$54,441 at June 30, 2007.

### Note 9. Reclassifications

Certain amounts from the June 30, 2006 financial statements have been reclassified to conform to the June 30, 2007 presentation.