

**NATIONAL SCHOOL
FOUNDATION ASSOCIATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2007 AND 2006

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the National School Foundation Association, Inc. (the Association) 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 Association'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 June 30, 2007 and 2006 financial statements referred to above present fairly, in all material respects, the financial position of the Association 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.

Brooks Lodden, P.C.

West Des Moines, Iowa
September 27, 2007

NATIONAL SCHOOL FOUNDATION ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Cash	\$ 15,494	\$ 2,964
Due from Local Government Services, Inc.	-	5,000
Accounts receivable	10,272	16,648
Inventory	4,142	-
Prepaid expenses	905	-
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Total assets	<u>\$ 30,813</u>	<u>\$ 24,612</u>
 LIABILITIES AND NET ASSETS		
Due to Iowa Association of School Boards	\$ 261,561	\$ 166,511
Due to Local Government Services, Inc.	56,875	-
Accounts payable	24,805	4,288
Deferred revenue	5,020	5,855
Total liabilities	<u>\$ 348,261</u>	<u>\$ 176,654</u>
 NET ASSETS		
Unrestricted net assets	<u>\$ (317,448)</u>	<u>\$ (152,042)</u>
Total net assets (deficit)	<u>\$ (317,448)</u>	<u>\$ (152,042)</u>
	<hr/>	<hr/>
Total liabilities and net assets (deficit)	<u>\$ 30,813</u>	<u>\$ 24,612</u>

See Notes to Financial Statements.

NATIONAL SCHOOL FOUNDATION ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2007 and 2006

	2007	2006
Public support and revenue:		
Convention and sponsorship income	\$ 47,731	\$ 49,343
Consultation professional services	2,792	9,090
Membership dues	30,635	-
Publication income	2,186	-
Grant income	3,828	-
Interest income	36	7
	\$ 87,208	\$ 58,440
Expenses:		
Program	\$ 163,498	\$ 51,892
Administrative	85,845	158,590
Fundraising	3,271	-
	\$ 252,614	\$ 210,482
Change in net assets	\$ (165,406)	\$ (152,042)
Net assets (deficit) at beginning of year	(152,042)	-
Net assets (deficit) at end of year	\$ (317,448)	\$ (152,042)

See Notes to Financial Statements.

NATIONAL SCHOOL FOUNDATION ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ (165,406)	\$ (152,042)
Adjustments to reconcile the change in net assets (deficit) to net cash (used in) operating activities:		
Decrease (increase) in accounts receivable	6,376	(16,648)
Decrease (increase) in due from Local Government Services, Inc.	5,000	(5,000)
(Increase) in inventory	(4,142)	-
(Increase) in prepaid expenses	(905)	-
Increase in accounts payable	20,517	4,288
(Decrease) increase in deferred income	(835)	5,855
Increase in due to Local Government Services, Inc.	<u>56,875</u>	<u>-</u>
Net cash (used in) operating activities	<u>\$ (82,520)</u>	<u>\$ (163,547)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from Iowa Association of School Boards	<u>\$ 95,050</u>	<u>\$ 166,511</u>
Net cash provided by financing activities	<u>\$ 95,050</u>	<u>\$ 166,511</u>
Net increase in cash	\$ 12,530	\$ 2,964
Cash at beginning of year	<u>2,964</u>	<u>-</u>
Cash at end of year	<u><u>\$ 15,494</u></u>	<u><u>\$ 2,964</u></u>

See Notes to Financial Statements.

NATIONAL SCHOOL FOUNDATION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of the organization:

National School Foundation Association, Inc. (the Association) is a nonprofit corporation and is operated exclusively for charitable, informational, and educational purposes. The purpose for which the Association was formed and the objectives to be carried on and promoted by it is to assist with the design and implementation of school foundations. The Association is related with the Iowa Association of Schools Boards (IASB) and Local Government Services, Inc. (LGS) by virtue of common management and board of directors. The Association organizes conferences and provides consultation services to assist schools in developing or improving their respective foundations.

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. The organization has no such assets.

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*)

Accounts receivable:

Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with clients having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Inventory:

Inventory consists of publications the Association purchases as reference materials available for sale to its members. Inventory is carried at cost.

Deferred revenue:

The Association records membership and other fees received in advance as deferred revenue. These amounts are recognized as revenue during the period in which they are earned.

Income taxes:

The Association has received an advanced ruling letter from the Internal Revenue Service stating that it qualifies under Section 501(c)(3) of the Internal Revenue Code to be exempt from federal income taxes.

Note 2. Related Party Transactions

The Association has an agreement with IASB to provide a cash flow loan to cover certain expenses. Total amounts advanced to the organization for these expenses at June 30, 2007 and 2006 were \$95,050 and \$166,511, respectively. IASB charges interest on the advances at the daily effective rate that IASB receives from the bank plus one percent. The interest rate charged as of June 30, 2007 was 5.92%. The interest accrued on the advances was \$13,983 for the year ended June 30, 2007. Total amount of interest charged to expense was \$13,532 for the year ended June 30, 2007. In addition, during the year ended June 30, 2006, the Association had an agreement with IASB to pay for certain administrative services performed at a fee of 9% of expenses. The fee charged for year ended June 30, 2006 was \$17,379. Amounts owed to IASB for the years ended June 30, 2007 and 2006 were \$261,561 and \$166,511, respectively.

The Association has an agreement with LGS for June 30, 2007 to cover certain expenses. In addition, the Association has an agreement with LGS to pay for administrative services performed at a fee of 9% of expenses. The fee charged for administrative services for the year ended June 30, 2007 was \$20,932. Amount owed to LGS including the administrative fee was \$56,875 at June 30, 2007. In addition, the Association advanced LGS \$5,000 to cover certain expenses for the year ended June 30, 2006. The amounts due to the Association for the years ended June 30, 2007 and 2006 were \$-0- and \$5,000.

NOTES TO FINANCIAL STATEMENTS

Note 3. 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 the 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 \$1,628 and \$-0-, respectively.