

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

**FINANCIAL STATEMENTS**

**YEARS ENDED  
JUNE 30, 2008 AND 2007**



## CONTENTS

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Notes to financial statements	5-8



**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, 2008 and 2007 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, 2008 and 2007, 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  
December 2, 2008



IOWA ASSOCIATION OF SCHOOL BOARDS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

<b>ASSETS</b>	<u>2008</u>	<u>2007</u>
Cash	\$ 189,965	\$ 1,887
Prepaid expenses	365	-
Accounts and grants receivable	7,998	20,676
Pledges receivable	<u>4,835</u>	<u>9,377</u>
Total assets	<u>\$ 203,163</u>	<u>\$ 31,940</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 91	\$ -
Due to Iowa Association of School Boards	98,826	401,817
Due to Local Government Services	12,274	54,441
Deferred revenue	<u>15,000</u>	<u>1,700</u>
Total liabilities	<u>\$ 126,191</u>	<u>\$ 457,958</u>
 <b>NET ASSETS</b>		
Unrestricted net assets (deficit)	\$ 34,996	\$ (442,518)
Temporarily restricted net assets	<u>41,976</u>	<u>16,500</u>
Total net assets (deficit)	<u>\$ 76,972</u>	<u>\$ (426,018)</u>
Total liabilities and net assets (deficit)	<u>\$ 203,163</u>	<u>\$ 31,940</u>

*See Notes to Financial Statements.*

IOWA ASSOCIATION OF SCHOOL BOARDS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2008 and 2007

	2008		
	Unrestricted	Temporarily Restricted	Total
<b>Public support and revenue:</b>			
Contributions	\$ 12,212	\$ 105,457	\$ 117,669
Grants	25,000	-	25,000
Consultation professional services	177,918	-	177,918
Gain on sale of intellectual property	557,000	-	557,000
Interest income	1,419	-	1,419
<b>Total public support and revenues</b>	<b>\$ 773,549</b>	<b>\$ 105,457</b>	<b>\$ 879,006</b>
<b>Net assets released from restrictions:</b>			
Satisfaction of program restrictions	\$ 79,981	\$ (79,981)	\$ -
<b>Total released from restrictions</b>	<b>\$ 79,981</b>	<b>\$ (79,981)</b>	<b>\$ -</b>
<b>Expenses:</b>			
Program	\$ 283,557	\$ -	\$ 283,557
Administrative	90,791	-	90,791
Fundraising	1,668	-	1,668
Loss on pledges	-	-	-
<b>Total expenses</b>	<b>\$ 376,016</b>	<b>\$ -</b>	<b>\$ 376,016</b>
Change in net assets	\$ 477,514	\$ 25,476	\$ 502,990
Net assets (deficit) at beginning of year	(442,518)	16,500	(426,018)
Net assets (deficit) at end of year	<u>\$ 34,996</u>	<u>\$ 41,976</u>	<u>\$ 76,972</u>

*See Notes to Financial Statements.*

2007

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 21,701	\$ 133,694	\$ 155,395
26,150	-	26,150
92,725	-	92,725
-	-	-
441	-	441
<u>\$ 141,017</u>	<u>\$ 133,694</u>	<u>\$ 274,711</u>
\$ 110,710	\$ (110,710)	\$ -
<u>\$ 110,710</u>	<u>\$ (110,710)</u>	<u>\$ -</u>
\$ 432,134	\$ -	\$ 432,134
121,399	-	121,399
58,331	-	58,331
10,532	84,928	95,460
<u>\$ 622,396</u>	<u>\$ 84,928</u>	<u>\$ 707,324</u>
\$ (370,669)	\$ (61,944)	\$ (432,613)
(71,849)	78,444	6,595
<u>\$ (442,518)</u>	<u>\$ 16,500</u>	<u>\$ (426,018)</u>

IOWA ASSOCIATION OF SCHOOL BOARDS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets (deficit)	\$ 502,990	\$ (432,613)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Adjustments for loss on pledges	-	84,928
Change in assets and liabilities:		
Decrease in pledges receivable	4,542	5,044
Decrease (increase) in accounts receivable	12,678	(20,676)
(Increase) decrease in prepaid expenses	(365)	246
(Decrease) in accounts payable	(16,363)	(40,625)
Increase in deferred revenue	13,300	1,700
	<u>516,782</u>	<u>(401,996)</u>
Net cash provided by (used in) operating activities	\$ 516,782	\$ (401,996)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from Iowa Association of School Boards	\$ 224,438	\$ 448,541
Payments on advances from Iowa Association of School Boards	(553,142)	(46,724)
	<u>(328,704)</u>	<u>401,817</u>
Net cash provided by (used in) financing activities	\$ (328,704)	\$ 401,817
Net increase (decrease) in cash	\$ 188,078	\$ (179)
Cash at beginning of year	<u>1,887</u>	<u>2,066</u>
Cash at end of year	<u>\$ 189,965</u>	<u>\$ 1,887</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ 12,849</u>	<u>\$ 14,251</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 Foundation was formed 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, Inc. (LGS), by virtue of common management and boards of directors.

The organization's 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 school boards 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. 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. During January 2008 the Foundation's board of directors restructured the activities of the Foundation to outsource to IASB the majority of the daily activities for these programs.

**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.

## 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)*

#### **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.

#### **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.

#### **Accounts receivable:**

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and regularly evaluating individual customer receivables, considering a customer's financial condition and credit history. Accounts are considered past due 30 days past invoice date. Interest is not normally charged on past due accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

#### **Deferred revenue:**

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

#### **Income taxes:**

The organization has received a final determination letter from the Internal Revenue Service dated May 4, 2006, 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.

**NOTES TO FINANCIAL STATEMENTS**

**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, 2008.

**Note 3. Pledges Receivable**

The Foundation has recorded the receipt of various unconditional promises to give. These unconditional promises totaled \$5,000 and \$10,000 at June 30, 2008 and 2007, respectively.

Total contributions receivable presented at fair value as of June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Contributions receivable:		
Receivable in less than one year	\$ 5,000	\$ 5,000
Receivable in one to five years	-	5,000
Unamortized discount @ 6.5%	<u>(165)</u>	<u>(623)</u>
	<u>\$ 4,835</u>	<u>\$ 9,377</u>

**Note 4. Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Restricted for specific purposes:		
CLIK – Cedar Falls/Waterloo	\$ 4,000	\$ 6,500
CLIK – General	32,976	-
Restricted due to time and purpose:		
CLIK	<u>5,000</u>	<u>10,000</u>
	<u>\$ 41,976</u>	<u>\$ 16,500</u>

**Note 5. 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, 2008. The contributions to the plan for the years ended June 30, 2008 and 2007 were \$3,213 and \$8,799, respectively.

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Program Services

The Foundation's program services expenses for the years ended June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Program services:		
CLIK	\$ 74,767	\$153,430
Lighthouse Project	71,130	128,809
Other program services	<u>137,660</u>	<u>149,895</u>
Total program services	<u>\$283,557</u>	<u>\$432,134</u>

### Note 7. Related Party Transactions

The Foundation has an agreement with IASB to provide a cash flow loan and to cover certain administration and program expenses. Total amounts advanced to the organization for these expenses for June 30, 2008 and 2007 were \$190,176 and \$448,541, respectively. IASB charged interest on the advances at the daily effective interest rate plus 1%. The interest rate charged varied during the year ended June 30, 2008, however, in January 2008 the interest rate was reduced to 0%. The Foundation paid \$12,849 and \$14,251 in interest for the years ended June 30, 2008 and 2007, respectively. Amounts owed to IASB at June 30, 2008 and 2007 were \$98,826 and \$401,817, respectively.

The Foundation has an agreement with LGS to pay for certain administrative services performed at a fee of 9% of expenses. The fees charged for June 30, 2008 and 2007 were \$32,737 and \$50,513, respectively. Amounts owed to LGS including the administrative fee at June 30, 2008 and 2007 were \$12,274 and \$54,441, respectively.

During the year ended June 30, 2008, the Foundation sold the IGrowth Data Tool to IASB. The total purchase price of the IGrowth Data Tool was \$557,000.