

Iowa League of Cities

Financial Report

June 30, 2009

McGladrey & Pullen

Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report on the Financial Statements

To the Executive Board
Iowa League of Cities
Des Moines, Iowa

We have audited the accompanying statements of financial position of Iowa League of Cities as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the League'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 audit 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 Iowa League of Cities as of June 30, 2009 and 2008, 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.

McGladrey & Pullen, LLP

Des Moines, Iowa
August 26, 2009

Iowa League of Cities

Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash	\$ 949,871	\$ 582,579
Restricted cash	78,328	67,950
Certificates of deposit	651,604	899,600
Receivables:		
Trade	34,004	27,989
Affiliate (Note 4)	16,808	-
Interest	6,783	7,117
Prepaid expenses	17,453	7,225
Total current assets	1,754,851	1,592,460
FURNITURE, FIXTURES AND EQUIPMENT, net (Note 2)	105,477	111,796
NON-CURRENT PREPAID EXPENSE	10,000	10,000
Total assets	\$ 1,870,328	\$ 1,714,256
LIABILITIES AND NET ASSETS (Note 4)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 249,990	\$ 251,447
Deferred income	155,490	190,216
Deferred rent	42,199	54,325
Total current liabilities	447,679	495,988
NET ASSETS, unrestricted	1,422,649	1,218,268
Total liabilities and net assets	\$ 1,870,328	\$ 1,714,256

See Notes to Financial Statements.

Iowa League of Cities

Statements of Activities

Years Ended June 30, 2009 and 2008

	2009	2008
Revenue:		
Membership dues	\$ 681,070	\$ 650,307
Associate member dues	46,486	45,132
Advertising	87,829	100,912
Sponsorship	21,225	14,667
Subscriptions	19,627	37,217
Registrations	220,811	270,754
Fees and royalties (Note 4)	1,889,011	1,721,813
Interest	41,611	64,059
Other	30,057	13,755
	<u>3,037,727</u>	<u>2,918,616</u>
Expenses (Note 6):		
Salaries, payroll taxes and fringe benefits (Note 3)	1,767,072	1,584,339
Rent and parking (Note 5)	186,541	219,693
Telephone	10,900	7,139
Travel	38,922	31,915
Professional fees	286,483	177,956
Dues and subscriptions	50,245	36,128
Registration	-	1,123
Insurance	43,570	44,495
Equipment and computer	75,020	87,432
Printing	72,391	115,623
Postage	30,047	90,521
Supplies	35,272	36,462
Meeting	148,591	153,279
Training	5,801	-
Depreciation	58,835	65,171
Miscellaneous	23,656	41,450
	<u>2,833,346</u>	<u>2,692,726</u>
Increase in unrestricted net assets	204,381	225,890
Unrestricted net assets, beginning	<u>1,218,268</u>	<u>992,378</u>
Unrestricted net assets, ending	<u>\$ 1,422,649</u>	<u>\$ 1,218,268</u>

See Notes to Financial Statements.

Iowa League of Cities

Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	\$ 204,381	\$ 225,890
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	58,835	65,171
Changes in working capital components:		
(Increase) in receivables	(5,681)	(14,412)
(Increase) decrease in prepaid expenses	(10,228)	1,090
Increase (decrease) in accounts payable and accrued expenses	(1,457)	110,112
(Decrease) in deferred income	(34,726)	(138,430)
(Decrease) in deferred rent	(12,126)	(2,021)
Net cash provided by operating activities	198,998	247,400
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in restricted cash	(10,378)	(67,950)
(Increase) decrease in advances to affiliate receivable	(16,808)	3,992
Purchase of furniture, fixtures and equipment	(52,516)	(10,898)
Purchase of certificates of deposit	(752,004)	(1,000,166)
Proceeds from redemption of certificates of deposit	1,000,000	950,000
Net cash provided by (used in) investing activities	168,294	(125,022)
Net increase in cash	367,292	122,378
CASH		
Beginning	582,579	460,201
Ending	\$ 949,871	\$ 582,579

See Notes to Financial Statements.

Notes to Financial Statements

Note 1. Nature of League and Significant Accounting Policies

Nature of organization: The League of Iowa Municipalities was founded in 1898, changed its name to the Iowa League of Cities (the League) in 1996 and is a grassroots organization controlled by its members. The purpose of the League is the improvement of municipal government and the administration thereof through cooperative effort and the promotion of the general welfare of the cities of Iowa. The members elect the League's officers and Executive Board (the Board of Directors or the Board) and determine, by direct vote, what the League's policies will be from year to year. The League is governed by a 19-member Board of Directors. A majority of the Board members must be elected officials, and representation on the Board must come from cities of all sizes. Officers are elected to a one-year term and Board members are elected to a two-year term at the League's annual meeting each fall.

Significant accounting policies:

Accounting estimates and assumptions: The preparation of financial statements in conformity with 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash: Cash consists of unrestricted funds to be used for operations.

Certificates of deposit: Investments in certificates of deposit are recorded at cost which approximates fair value.

Restricted cash: Restricted cash consists of amounts received by the League that are for the benefit of other agencies. The League will collect registration fees for conferences held by other agencies and these fees are held by the League until the conclusion of the conference.

Trade receivables: Trade receivables 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 regularly evaluating individual customer receivables and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Furniture, fixtures and equipment: Furniture, fixtures and equipment are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets.

Revenue recognition: Membership dues are recorded in the applicable membership period. Fees and royalties are recorded based on the related contract period (see Note 4). All other revenue is recognized when services are rendered. Restricted assets received in the same year that the restriction is satisfied are classified as unrestricted assets.

Notes to Financial Statements

Deferred income: Deferred income represents annual dues which are being recognized in the applicable period to which the membership relates.

Deferred rent: The League accrues rent expense on lease agreements with escalating rents in an amount such that the total rent expense under the lease will be recognized ratably over the lease term.

Income taxes: The League is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code and a similar section of Iowa law. The League currently has an opinion that it is exempt from IRS requirements for filing any reports, including 990 and 990T.

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

Reclassification: Certain items in the financial statements for the year ended June 30, 2008 have been reclassified, with no effect on ending net assets or change in unrestricted assets, to be consistent with the classifications adopted for the year ended June 30, 2009.

Note 2. Furniture, Fixtures and Equipment

Detail of furniture, fixtures and equipment is as follows at June 30, 2009 and 2008:

	2009	2008
Furniture and fixtures	\$ 120,369	\$ 120,369
Computer equipment	181,091	160,196
Auto	80,644	60,737
Other equipment	83,900	72,186
	466,004	413,488
Accumulated depreciation	360,527	301,692
	\$ 105,477	\$ 111,796

Note 3. Retirement Benefits

The League has a noncontributory retirement plan covering all full-time employees who have completed 90 days of service. The League pays approximately 10% of gross salary into the plan in lieu of social security. Employer contributions totaled approximately \$136,000 and \$117,000 for the years ended June 30, 2009 and 2008, respectively. In 2004, the League began a contributory retirement plan covering all full-time employees. Employees may contribute a dollar amount or percent per pay period. The League matches fifty cents on the dollar up to 2% of gross salary. Employer contributions totaled approximately \$80,000 and \$81,000 for the years ended June 30, 2009 and 2008, respectively.

Notes to Financial Statements

Note 4. Related-Party Transactions

The League has a cooperation agreement with the Iowa Communities Assurance Pool (ICAP) that provides for service fees to be paid to the League. Service fees received by the League totaled approximately \$234,000 and \$235,000 for the years ended June 30, 2009 and 2008, respectively. The agreement is subject to termination by either party annually upon 30 days written notice. The League's executive director serves as a member of the Board of Directors of ICAP.

The League has a management agreement with the Iowa Municipalities Workers' Compensation Association (IMWCA), an affiliate, that provides for a management fee of \$96,666 per month at June 30, 2009. During the years ended June 30, 2009 and 2008, the League received approximately \$1,242,000 and \$1,160,000, respectively, in management fees. The agreement is subject to termination by either party upon six months written notice. In addition, the League purchased fixed assets on behalf of IMWCA. At June 30, 2009 and 2008, the League had recorded a receivable related to these purchases totaling approximately \$17,000 and none, respectively.

The League also has an agreement with IMWCA which provides the League a fee for institutional value equal to 1.5% of the annual net premium for the participating member cities of the workers' compensation program for as long as the agreement is in effect. The annual premiums received totaled approximately \$116,000 and \$117,000 and for the years ended June 30, 2009 and 2008, respectively. The IMWCA Board stipulated that money paid to the League for institutional value be used to promote the League and affiliated programs.

The League and Iowa Public Agency Investment Trust (IPAIT) have a license agreement which provides for royalty payments. Royalty payments received by the League totaled approximately \$226,000 and \$140,000 for the years ended June 30, 2009 and 2008, respectively. This agreement is subject to termination by either party upon 60 days written notice. The League's executive director serves as an ex-officio board member for IPAIT.

The League has a contract with the Iowa City Management Association (IaCMA) to provide membership services. Service fees received by the League totaled approximately \$3,400 and \$5,600 for the years ended June 30, 2009 and 2008, respectively. The contract is subject to termination annually with 60 days written notice. The League's executive director serves as the nonvoting secretary/treasurer of IaCMA.

The League is party to an agreement among three associations that establishes the Drug and Alcohol Testing Alliance (DATA) in order to provide drug and alcohol testing services to local government entities required to conduct such tests by federal regulation. The agreement provides that the League perform administrative oversight to the third party administrator on behalf of the associations. The League received approximately \$21,000 and \$25,000 of the administrative fees paid to DATA to cover administrative overhead for the years ended June 30, 2009 and 2008, respectively.

Note 5. Lease Commitments and Rent Expense

The League leases office space under a noncancelable operating lease agreement expiring November 2012, requiring minimum monthly rentals of approximately \$13,000 through November 2012. Additional monthly rent may be required for taxes, insurance and utilities if actual expenses exceed limits originally set forth in the agreement.

Notes to Financial Statements

Approximate future minimum lease payments are as follows:

Year ending June 30:		
2010	\$	160,000
2011		160,000
2012		160,000
2013		67,000
	\$	<u>547,000</u>

Related rent expense for the years ended June 30, 2009 and 2008 totaled approximately \$156,000 and \$187,000, respectively.

Note 6. Functional Expenses

Approximate expenses for program service and general and administrative supporting activities for the years ended June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Program service	\$ 2,578,000	\$ 2,450,000
Supporting activities, general and administrative	255,000	243,000
	<u>\$ 2,833,000</u>	<u>\$ 2,693,000</u>

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Supplementary Information

To the Executive Board
Iowa League of Cities
Des Moines, Iowa

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Des Moines, Iowa
August 26, 2009

Iowa League of Cities

Executive Board and Staff

Name	Title	Board Term Expires
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EXECUTIVE BOARD
(Before September 2008 Election)

Tim Hurley	President	Sept 2009
Dale Uehling	President Elect	Sept 2009
Jim Fausett	Immediate Past President	Sept 2009
Thomas Hanafan	Past President	Sept 2009
Chris Hensley	Past President	Sept 2010
A.J. Johnson	Director	Sept 2010
Andy Lent	Director	Sept 2010
Brent Hinson	Director	Sept 2010
Denise Hoy	Director	Sept 2009
Elizabeth Hansen	Director	Sept 2010
Guy Brace	Director	Sept 2010
Jeffrey Pomeranz	Director	Sept 2009
John Freeland	Director	Sept 2010
Kris Gulick	Director	Sept 2009
Mark Arentsen	Director	Sept 2010
Mike Isaacson	Director	Sept 2009
Ronald Peterson	Director	Sept 2009
Ruth Randleman	Director	Sept 2010
Terry L. Cox	Director	Sept 2009

STAFF

Alan Kemp	Executive Director	Indefinite
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