

Iowa League of Cities

Financial Report

June 30, 2010

McGladrey & Pullen

Certified Public Accountants

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McGladrey & Pullen

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, 2010 and 2009, 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, 2010 and 2009, 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
October 25, 2010

Iowa League of Cities

Statements of Financial Position
June 30, 2010 and 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash	\$ 646,480	\$ 949,871
Restricted cash	64,477	78,328
Certificates of deposit	1,051,276	651,604
Receivables:		
Trade	61,131	34,004
Affiliate (Note 4)	30,611	16,808
Interest	1,866	6,783
Prepaid expenses	39,006	17,453
Total current assets	1,894,847	1,754,851
FURNITURE, FIXTURES AND EQUIPMENT, net (Note 2)	85,520	105,477
NON-CURRENT PREPAID EXPENSE	10,000	10,000
Total assets	\$ 1,990,367	\$ 1,870,328
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 312,934	\$ 249,990
Deferred income	132,140	155,490
Deferred rent	30,072	42,199
Total current liabilities	475,146	447,679
NET ASSETS, unrestricted	1,515,221	1,422,649
Total liabilities and net assets	\$ 1,990,367	\$ 1,870,328

See Notes to Financial Statements.

Iowa League of Cities

Statements of Activities

Years Ended June 30, 2010 and 2009

	2010	2009
Revenue:		
Membership dues	\$ 704,469	\$ 681,070
Associate member dues	44,035	46,486
Advertising	80,988	87,829
Sponsorship	20,163	21,225
Subscriptions	18,371	19,627
Registrations	217,935	220,811
Fees and royalties (Note 4)	2,009,323	1,889,011
Interest	19,504	41,611
Other	832	30,057
	<u>3,115,620</u>	<u>3,037,727</u>
Expenses (Note 6):		
Salaries, payroll taxes and fringe benefits (Note 3)	1,934,614	1,767,072
Rent and parking (Note 5)	197,812	186,541
Telephone	12,154	10,900
Travel	47,800	38,922
Professional fees	238,718	286,483
Dues and subscriptions	38,305	50,245
Insurance	35,487	43,570
Equipment and computer	75,041	75,020
Printing	66,391	72,391
Postage	44,791	30,047
Supplies	25,408	35,272
Meeting	149,378	148,591
Training	11,849	5,801
Depreciation	54,922	58,835
Miscellaneous	90,378	23,656
	<u>3,023,048</u>	<u>2,833,346</u>
Increase in unrestricted net assets	92,572	204,381
Unrestricted net assets, beginning	<u>1,422,649</u>	<u>1,218,268</u>
Unrestricted net assets, ending	<u>\$ 1,515,221</u>	<u>\$ 1,422,649</u>

See Notes to Financial Statements.

Iowa League of Cities

Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	\$ 92,572	\$ 204,381
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	54,922	58,835
Changes in working capital components:		
(Increase) in receivables	(22,210)	(5,681)
(Increase) in prepaid expenses	(21,553)	(10,228)
Increase (decrease) in accounts payable and accrued expenses	62,944	(1,457)
(Decrease) in deferred income	(23,350)	(34,726)
(Decrease) in deferred rent	(12,127)	(12,126)
Net cash provided by operating activities	131,198	198,998
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in restricted cash	13,851	(10,378)
(Increase) in advances to affiliate receivable	(13,803)	(16,808)
Purchase of furniture, fixtures and equipment	(34,965)	(52,516)
Purchase of certificates of deposit	(1,000,000)	(752,004)
Proceeds from redemption of certificates of deposit	600,328	1,000,000
Net cash provided by (used in) investing activities	(434,589)	168,294
Net increase (decrease) in unrestricted cash	(303,391)	367,292
UNRESTRICTED CASH		
Beginning	949,871	582,579
Ending	\$ 646,480	\$ 949,871

See Notes to Financial Statements.

Iowa League of Cities

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.

Iowa League of Cities

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. Therefore there is no income tax filing requirements of the League.

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.

Subsequent events: Subsequent events have been evaluated through October 25, 2010, which is the date financial statements are available for issuance. Through that date, there were no events requiring disclosure.

Note 2. Furniture, Fixtures and Equipment

Detail of furniture, fixtures and equipment is as follows at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 120,369	\$ 120,369
Computer equipment	216,056	181,091
Auto	80,644	80,644
Other equipment	83,900	83,900
	<u>500,969</u>	466,004
Accumulated depreciation	415,449	360,527
	<u>\$ 85,520</u>	<u>\$ 105,477</u>

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 \$162,000 and \$136,000 for the years ended June 30, 2010 and 2009, 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 \$102,000 and \$80,000 for the years ended June 30, 2010 and 2009, respectively.

Iowa League of Cities

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 \$202,000 and \$234,000 for the years ended June 30, 2010 and 2009, respectively. The agreement is subject to termination by either party annually upon 90 days written notice. The League's executive director serves as a non-voting 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 approximately \$105,000 per month at June 30, 2010. During the years ended June 30, 2010 and 2009, the League received approximately \$1,265,000 and \$1,242,000, respectively, in management fees. The agreement is subject to termination by either party upon six months written notice. In addition, the League at times will purchase fixed assets on behalf of IMWCA. At June 30, 2010 and 2009, the League had recorded a receivable related to these purchases totaling approximately \$7,000 and \$17,000, 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 \$131,000 and \$116,000 and for the years ended June 30, 2010 and 2009, 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 \$331,000 and \$226,000 for the years ended June 30, 2010 and 2009, respectively. This agreement is subject to termination by either party upon 60 days written notice. The League's executive director serves as a non-voting 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 \$400 and \$3,400 for the years ended June 30, 2010 and 2009, respectively. The contract is subject to termination annually with 60 days written notice. The League's executive director serves as the non-voting secretary/treasurer of IaCMA.

The League was 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 provided that the League perform administrative oversight to the third party administrator on behalf of the associations. The League received approximately \$3,000 of the administrative fees paid to DATA to cover administrative overhead for both of the years ended June 30, 2010 and 2009. Effective January 2010, the League became a member of DATA, LLC and transferred the administrative oversight function to a third party. The League accounts for this 33% investment on the equity method. No investment income (loss) was recorded during the year ended June 30, 2010 as income (loss) was insignificant.

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.

Iowa League of Cities

Notes to Financial Statements

Approximate future minimum lease payments are as follows:

Year ending June 30:		
2011	\$	160,000
2012		160,000
2013		67,000
	\$	<u>387,000</u>

Related rent expense for the years ended June 30, 2010 and 2009 totaled approximately \$164,000 and \$156,000, respectively.

Note 6. Functional Expenses

Approximate expenses for program service and general and administrative supporting activities for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Program service	\$ 2,751,000	\$ 2,578,000
Supporting activities, general and administrative	<u>272,000</u>	<u>255,000</u>
	<u>\$ 3,023,000</u>	<u>\$ 2,833,000</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
October 25, 2010

Iowa League of Cities

Executive Board and Staff

Name	Title	Board Term Expires
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EXECUTIVE BOARD

Dale Uehling	President	September 2010
Tom Hanafan	Past President	September 2011
Jim Fausett	Immediate Past President	September 2011
Kris Glick	Director	September 2011
Chris Hensley	Past President	September 2010
Jay Gourley	Director	September 2011
Andy Lent	Director	September 2010
Brent Hinson	Director	September 2010
Bethany Wirin	Director	September 2011
Elizabeth Hansen	Director	September 2010
Guy Brace	Director	September 2010
Ann Campbell	Director	September 2010
Paula Gunter	Director	September 2011
Jennifer Cowsert	Director	September 2010
Mark Arentsen	Director	September 2010
Mike Isaacson	Director	September 2011
Reynold Peterson	Director	September 2011
Ruth Randleman	President-elect	September 2010
Terry L. Cox	Director	September 2011

STAFF

Alan Kemp	Executive Director	Indefinite
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