

# Iowa League of Cities

Financial Report  
June 30, 2014

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Iowa League of Cities which comprise the statements of financial position as of June 30, 2014 and 2013, the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa League of Cities as of June 30, 2014 and 2013, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and accordingly we do not express an opinion or provide any assurance on it.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned above the typed name and date.

Des Moines, Iowa  
October 23, 2014

Iowa League of Cities

Statements of Financial Position  
June 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Current Assets		
Cash	\$ 592,667	\$ 368,285
Restricted cash	66,729	62,477
Certificates of deposit	1,005,405	1,060,509
Receivables:		
Trade	26,260	28,871
Affiliate	18,272	143,393
Interest	1,090	1,024
Prepaid expenses	82,076	65,456
	<hr/>	<hr/>
<b>Total current assets</b>	<b>1,792,499</b>	<b>1,730,015</b>
Furniture, Fixtures and Equipment, net	184,025	171,364
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<b>Total assets</b>	<b>\$ 1,976,524</b>	<b>\$ 1,901,379</b>
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<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 260,570	\$ 278,945
Deferred income	185,213	187,422
Deferred rent	76,895	-
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<b>Total current liabilities</b>	<b>522,678</b>	<b>466,367</b>
Net Assets, unrestricted	1,453,846	1,435,012
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<b>Total liabilities and net assets</b>	<b>\$ 1,976,524</b>	<b>\$ 1,901,379</b>
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See Notes to Financial Statements.

**Iowa League of Cities**

**Statements of Activities  
Years Ended June 30, 2014 and 2013**

	2014	2013
<b>Revenue:</b>		
Membership dues	\$ 785,224	\$ 750,653
Partner dues	7,083	-
Associate member dues	67,153	62,475
Advertising	92,379	68,557
Sponsorship	27,810	27,825
Subscriptions	16,815	9,750
Registrations	301,486	192,975
Fees and royalties	1,968,818	2,140,327
Interest	4,494	8,986
Gain on disposal of furniture, fixtures and equipment	12,066	-
Other	20,807	11,590
	<b>3,304,135</b>	<b>3,273,138</b>
<b>Expenses:</b>		
Salaries, payroll taxes and fringe benefits	2,346,930	2,335,473
Rent and parking	214,390	190,937
Telephone	43,545	47,706
Travel	29,683	39,957
Legal and accounting fees	13,310	13,830
Consulting fees	137,675	179,158
Dues and subscriptions	38,216	42,153
Insurance	51,366	43,181
Equipment and computer	2,365	7,347
Printing	63,263	43,090
Postage	33,135	28,986
Supplies	45,399	33,811
Meeting	161,527	136,343
Training	5,095	5,268
Online registrations	37,143	3,641
Depreciation	51,809	42,821
Loss on disposal of furniture, fixtures and equipment	-	3,365
Miscellaneous	10,450	12,545
	<b>3,285,301</b>	<b>3,209,612</b>
<b>Change in unrestricted net assets</b>	<b>18,834</b>	<b>63,526</b>
Unrestricted net assets, beginning	<b>1,435,012</b>	<b>1,371,486</b>
<b>Unrestricted net assets, ending</b>	<b>\$ 1,453,846</b>	<b>\$ 1,435,012</b>

See Notes to Financial Statements.

**Iowa League of Cities**

**Statements of Cash Flows  
Years Ended June 30, 2014 and 2013**

	2014	2013
Cash Flows from Operating Activities		
Change in unrestricted net assets	\$ 18,834	\$ 63,526
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	51,809	42,821
(Gain) loss on disposal of furniture, fixtures and equipment	(12,066)	3,365
Change in working capital components:		
Receivables	2,545	(9,875)
Prepaid expenses	(16,620)	7,765
Accounts payable and accrued expenses	(18,375)	36,062
Deferred income	(2,209)	(22,567)
Deferred rent	76,895	(5,819)
<b>Net cash provided by operating activities</b>	<b>100,813</b>	<b>115,278</b>
Cash Flows from Investing Activities		
Change in restricted cash	(4,252)	10,959
Change in advances on affiliate receivables	125,121	(113,001)
Purchase of furniture, fixtures and equipment	(67,404)	(131,393)
Proceeds from sale of furniture, fixtures and equipment	15,000	-
Purchase of certificates of deposit	(550,122)	(460,000)
Proceeds from redemption of certificates of deposit	605,226	451,352
<b>Net cash provided by (used in) investing activities</b>	<b>123,569</b>	<b>(242,083)</b>
<b>Net increase (decrease) in unrestricted cash</b>	<b>224,382</b>	<b>(126,805)</b>
Unrestricted Cash		
Beginning	368,285	495,090
Ending	\$ 592,667	\$ 368,285

See Notes to Financial Statements.

## Iowa League of Cities

### Notes to Financial Statements

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#### 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 in accrued expenses 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.

**Deferred income:** Deferred income represents annual dues which are being recognized in the applicable period to which the membership relates and conference registration and conference sponsorship payments with are being recognized in the period in which the conference occurs.

**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.

## Iowa League of Cities

### Notes to Financial Statements

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#### Note 1. Nature of League and Significant Accounting Policies (Continued)

**Income taxes:** The League is exempt from federal and state income taxes under Section 501(c)(4) and is not subject to Federal Income tax under the provisions of Section 115(1) 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.

**Reclassification:** Certain items on the statement of activities for the year ending June 30, 2013 were reclassified with no effect on the change in unrestricted net assets to be consistent with the classification used on the June 30, 2014 statement of activities.

**Subsequent events:** Subsequent events have been evaluated through October 23, 2014, 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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$ 143,658	\$ 140,470
Computer equipment	283,210	269,998
Autos	88,957	80,701
Other equipment	62,556	74,270
	<u>578,381</u>	565,439
Accumulated depreciation	394,356	394,075
	<u>\$ 184,025</u>	<u>\$ 171,364</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 \$191,000 and \$189,000 for the years ended June 30, 2014 and 2013, respectively. The League also has 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 \$36,000 and \$35,000 for the years ended June 30, 2014 and 2013, respectively.

## Iowa League of Cities

### Notes to Financial Statements

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#### Note 4. Related-Party Transactions

Approximate revenues for the years ended June 30, 2014 and 2013 include fees and royalties from the following related parties, together with the approximate receivables due from these affiliates are as follows:

	Fees and Royalties		Receivables	
	2014	2013	2014	2013
Iowa Communities Assurance Pool royalty fee	\$ 246,000	\$ 227,000	\$ 10,000	\$ 8,000
Iowa Municipalities Workers' Compensation Association management fee	1,446,000	1,548,000	3,000	128,000
Iowa Municipalities Workers' Compensation Association royalty fee	144,000	150,000	-	-
Iowa Public Agency Investment Trust royalty fee	64,000	145,000	5,000	7,000
Iowa City Management Association service fee	7,000	6,000	-	-
Iowa Municipal Attorneys Association service fee	5,000	4,000	-	-
DATA, LLC investment income	1,000	1,000	-	-

The League has a cooperation agreement with the Iowa Communities Assurance Pool (ICAP) that provides for royalty fees to be paid to the League. 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 \$121,000 per month at June 30, 2014. The agreement is subject to termination by either party upon six months written notice. In addition, the League at times will purchase vehicles on behalf of IMWCA.

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 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. 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. 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 has a contract with the Iowa Municipal Attorneys Association (IMAA) to provide membership services. The contract is subject to termination annually with 60 days written notice. The League's executive director serves as the non-voting treasurer of IMAA.

The League has an equity method investment in DATA, LLC with no equity value as of June 30, 2014 and 2013. Under the equity method, the League's share of the net income (loss) of the investee is recognized as income (loss) in the League's statements of activities and added to (deducted from) the investment account, and dividends received from the investee are treated as a reduction of the investment account.

## Iowa League of Cities

### Notes to Financial Statements

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#### Note 5. Lease Commitment and Rent Expense

The League leased an office space under a noncancelable operating lease agreement which expired June 2013, requiring minimum monthly rentals of approximately \$13,000. Additional monthly rent was required for property taxes, insurance and utilities if actual expenses exceed limits originally set forth in the agreement.

During 2013, the League entered into a new office space lease agreement beginning July 1, 2013. The lease requires monthly base rental payments of \$3,590 and escalating to \$11,368 throughout the lease term with the first four months rent waived. The agreement expires in October 2023. Additional monthly rent is required for property taxes, insurance, utilities, maintenance, and repairs.

Approximate future minimum lease payments are as follows:

Year Ending June 30:

2015	\$	43,000
2016		86,000
2017		108,000
2018		108,000
2019		127,000
Thereafter		591,000
		<u>\$ 1,063,000</u>

Related rent expense for the years ended June 30, 2014 and 2013 totaled approximately \$214,000 and \$159,000, respectively.

#### Note 6. Functional Expenses

Approximate expenses for program service and general and administrative supporting activities for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Program service	<b>\$ 2,643,000</b>	\$ 2,552,000
Supporting activities, general and administrative	<b>642,000</b>	658,000
	<b><u>\$ 3,285,000</u></b>	<b><u>\$ 3,210,000</u></b>

## Iowa League of Cities

### Executive Board and Staff

Name	Title	Board Term Expires
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#### EXECUTIVE BOARD

Buck Clark	President	September 2014
Reynold Peterson	Immediate Past President	September 2014
Warren Woods	President-elect	September 2014
Kris Gulick	Past President	September 2015
Ruth Randleman	Past President	September 2014
Patty Anderson	Director	September 2015
Lori Brown	Director	September 2015
Ann Campbell	Director	September 2014
Coleen Chipman	Director	September 2014
Kay Cmelik	Director	September 2015
Kim Downs	Director	September 2014
Jim Erb	Director	September 2015
Jim Ferneau	Director	September 2015
Clint Fichter	Director	September 2015
Linda Gaul	Director	September 2015
Greg Mandsager	Director	September 2014
Scott Peterson	Director	September 2015
Adam Schweers	Director	September 2015
Matt Walsh	Director	September 2014

#### STAFF

Alan Kemp	Executive Director	Indefinite
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