

Iowa League of Cities

Financial Report
June 30, 2015

Contents

Independent Auditor's Report	1-2
<hr/>	
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-9
Supplementary Information	
Executive Board and Staff	10



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, 2015 and 2014, 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 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, 2015 and 2014, 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.

McGladrey LLP

Des Moines, Iowa
October 15, 2015

Iowa League of Cities

**Statements of Financial Position
June 30, 2015 and 2014**

	2015	2014
Assets		
Current Assets		
Cash	\$ 489,616	\$ 592,667
Restricted cash	63,657	66,729
Certificates of deposit	1,067,192	1,005,405
Receivables:		
Trade	84,351	26,260
Affiliate	16,863	18,272
Interest	1,402	1,090
Prepaid expenses	82,968	82,076
	<hr/>	<hr/>
Total current assets	1,806,049	1,792,499
Furniture, Fixtures and Equipment, net	398,235	184,025
	<hr/>	<hr/>
Total assets	\$ 2,204,284	\$ 1,976,524
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 365,064	\$ 260,570
Deferred income	243,181	185,213
Deferred rent	139,431	76,895
	<hr/>	<hr/>
Total current liabilities	747,676	522,678
Net Assets, unrestricted	1,456,608	1,453,846
	<hr/>	<hr/>
Total liabilities and net assets	\$ 2,204,284	\$ 1,976,524

See Notes to Financial Statements.

Iowa League of Cities

**Statements of Activities
Years Ended June 30, 2015 and 2014**

	2015	2014
Revenue:		
Membership dues	\$ 856,845	\$ 785,224
Partner dues	29,167	7,083
Associate member dues	59,688	67,153
Advertising	76,720	92,379
Sponsorship	35,025	27,810
Subscriptions	9,795	16,815
Registrations	236,890	301,486
Fees and royalties	2,014,604	1,968,818
Grants	51,087	-
Interest	14,625	4,494
Gain on disposal of furniture, fixtures and equipment	951	12,066
Other	17,426	20,807
	3,402,823	3,304,135
Expenses:		
Salaries, payroll taxes and fringe benefits	2,517,997	2,346,930
Rent	209,740	214,390
Telephone	45,541	43,545
Travel	36,614	29,683
Legal and accounting fees	13,625	13,310
Consulting fees	129,731	137,675
Dues and subscriptions	41,942	38,216
Insurance	59,406	51,366
Equipment and computer	2,469	2,365
Printing	42,884	63,263
Postage	22,209	33,135
Supplies	28,996	45,399
Meeting	157,266	161,527
Training	5,265	5,095
Online registrations	6,432	37,143
Depreciation	76,516	51,809
Miscellaneous	3,428	10,450
	3,400,061	3,285,301
Change in unrestricted net assets	2,762	18,834
Unrestricted net assets, beginning	1,453,846	1,435,012
Unrestricted net assets, ending	\$ 1,456,608	\$ 1,453,846

See Notes to Financial Statements.

Iowa League of Cities

**Statements of Cash Flows
Years Ended June 30, 2015 and 2014**

	2015	2014
Cash Flows from Operating Activities		
Change in unrestricted net assets	\$ 2,762	\$ 18,834
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	76,516	51,809
Gain on disposal of furniture, fixtures and equipment	(951)	(12,066)
Change in working capital components:		
Receivables	(58,403)	2,545
Prepaid expenses	(892)	(16,620)
Accounts payable and accrued expenses	58,597	(18,375)
Deferred income	57,968	(2,209)
Deferred rent	62,536	76,895
Net cash provided by operating activities	198,133	100,813
Cash Flows from Investing Activities		
Change in restricted cash	3,072	(4,252)
Change in advances on affiliate receivables	1,409	125,121
Purchase of furniture, fixtures and equipment	(248,878)	(67,404)
Proceeds from sale of furniture, fixtures and equipment	5,000	15,000
Purchase of certificates of deposit	(1,120,151)	(550,122)
Proceeds from redemption of certificates of deposit	1,058,364	605,226
Net cash provided by (used in) investing activities	(301,184)	123,569
Net increase (decrease) in unrestricted cash	(103,051)	224,382
Unrestricted Cash		
Beginning	592,667	368,285
Ending	\$ 489,616	\$ 592,667
Supplemental Disclosures of Noncash Investing and Financing Activity		
Purchase of furniture, fixtures and equipment included in accounts payable or accruals	\$ 45,897	\$ -

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 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). Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met. 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 which 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

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.

Subsequent events: Subsequent events have been evaluated through October 15, 2015, 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, 2015 and 2014:

	2015	2014
Furniture and fixtures	\$ 143,658	\$ 143,658
Computer equipment	473,111	283,210
Autos	108,743	88,957
Other equipment	62,556	62,556
Software in progress	51,984	-
	<u>840,052</u>	<u>578,381</u>
Accumulated depreciation	441,817	394,356
	<u>\$ 398,235</u>	<u>\$ 184,025</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 percent of gross salary into the plan in lieu of social security. Employer contributions totaled approximately \$200,000 and \$191,000 for the years ended June 30, 2015 and 2014, 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 percent of gross salary. Employer contributions totaled approximately \$38,000 and \$36,000 for the years ended June 30, 2015 and 2014, respectively.

Iowa League of Cities

Notes to Financial Statements

Note 4. Related-Party Transactions

Approximate revenues for the years ended June 30, 2015 and 2014 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	
	2015	2014	2015	2014
Iowa Communities Assurance Pool royalty fee	\$ 258,000	\$ 246,000	\$ 8,000	\$ 10,000
Iowa Municipalities Workers' Compensation Association management fee	1,461,000	1,446,000	3,000	3,000
Iowa Municipalities Workers' Compensation Association royalty fee	152,000	144,000	-	-
Iowa Public Agency Investment Trust royalty fee	67,000	64,000	6,000	5,000
Iowa City Management Association service fee	8,000	7,000	-	-
Iowa Municipal Attorneys Association service fee	6,000	5,000	-	-
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 \$122,000 per month at June 30, 2015. 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 a percentage 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, 2015 and 2014. 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

Note 5. Lease Commitment and Rent Expense

The League leases office space under a ten year noncancelable operating lease that expires in October 2023. 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. 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:

2016	\$	86,000
2017		108,000
2018		108,000
2019		127,000
2020		136,000
Thereafter, through 2023		455,000
		<u>\$ 1,020,000</u>

Related rent expense for the years ended June 30, 2015 and 2014 totaled approximately \$210,000 and \$214,000, respectively.

Note 6. Functional Expenses

Approximate expenses for program service and general and administrative supporting activities for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Program service	\$ 2,696,000	\$ 2,643,000
Supporting activities, general and administrative	704,000	642,000
	<u>\$ 3,400,000</u>	<u>\$ 3,285,000</u>

Iowa League of Cities

Executive Board and Staff

Name	Title	Board Term Expires
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EXECUTIVE BOARD

Warren Woods	President	September 2015
Matt Walsh	President-elect	September 2015
Buck Clark	Immediate Past President	September 2015
Kris Gulick	Past President	September 2015
Reynold Peterson	Past President	September 2016
Patty Anderson	Director	September 2015
Lori Brown	Director	September 2015
Coleen Chipman	Director	September 2016
Kay Cmelik	Director	September 2015
Kim Downs	Director	September 2016
Jim Erb	Director	September 2015
Jim Ferneau	Director	September 2015
Clint Fichter	Director	September 2015
Linda Gaul	Director	September 2015
Greg Mandsager	Director	September 2016
Scott Peterson	Director	September 2015
Kimberly Sacker	Director	September 2016
Adam Schweers	Director	September 2015
Hans Trousil	Director	September 2016

STAFF

Alan Kemp	Executive Director	Indefinite
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