

Iowa League of Cities

Financial Report
June 30, 2021

Contents

Independent auditor's report	1-2
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Financial statements	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6-12

Supplementary information	
Executive board and staff	13



RSM US LLP

Independent Auditor's Report

Executive Board
Iowa League of Cities

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, 2021 and 2020, 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 from 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, 2021 and 2020, and the changes in its 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 basic financial statements as a whole. The 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.

RSM US LLP

Des Moines, Iowa
November 1, 2021

Iowa League of Cities

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 1,683,409	\$ 1,023,176
Restricted cash	59,587	77,454
Certificates of deposit	504,379	424,508
Receivables:		
Trade	103,026	94,827
Affiliate	26,538	48,257
Interest	7,874	12,601
Prepaid expenses	130,336	169,293
Total current assets	2,515,149	1,850,116
Furniture, fixtures and equipment, net	219,003	123,513
Certificates of deposit	1,258,000	1,710,000
Total assets	\$ 3,992,152	\$ 3,683,629
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 413,476	\$ 458,635
Deferred income	560,523	344,771
Deferred rent	71,877	102,682
Total current liabilities	1,045,876	906,088
Net assets, without donor restrictions	2,946,276	2,777,541
Total liabilities and net assets	\$ 3,992,152	\$ 3,683,629

See notes to financial statements.

Iowa League of Cities

Statements of Activities

Years Ended June 30, 2021 and 2020

	2021	2020
Revenue:		
Membership dues	\$ 1,066,754	\$ 1,065,523
Partner dues	106,750	47,500
Associate dues	52,380	34,060
Advertising	87,712	103,483
Sponsorship	16,125	24,790
Subscriptions	9,925	20,885
Registrations	54,630	319,210
Fees and royalties	2,683,688	2,650,263
Grants	20,011	24,671
Interest	10,941	91,746
Other	15,962	22,008
	<u>4,124,878</u>	<u>4,404,139</u>
Expenses:		
Salaries, payroll taxes and fringe benefits	3,176,174	3,210,460
Rent	224,829	222,577
Telephone	22,228	23,922
Travel	3,726	31,265
Legal and accounting fees	26,058	14,570
Consulting fees	185,616	129,453
Dues and subscriptions	93,653	92,855
Insurance	65,779	61,050
Equipment and computer	131	798
Printing	40,118	54,597
Postage	21,491	29,846
Supplies	16,914	35,985
Meeting	18,927	182,094
Training	2,449	7,349
Online registrations	4,051	8,830
Depreciation	48,732	53,006
Miscellaneous	5,267	2,939
	<u>3,956,143</u>	<u>4,161,596</u>
Income before gain on disposal of furniture, fixtures and equipment	168,735	242,543
Gain on disposal of furniture, fixtures and equipment	-	2,466
Change in net assets without donor restrictions	<u>168,735</u>	<u>245,009</u>
Net assets without donor restrictions, beginning	<u>2,777,541</u>	<u>2,532,532</u>
Net assets without donor restrictions, ending	<u>\$ 2,946,276</u>	<u>\$ 2,777,541</u>

See notes to financial statements.

Iowa League of Cities

**Statements of Cash Flows
Years Ended June 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Change in net assets, without donor restrictions	\$ 168,735	\$ 245,009
Adjustments to reconcile change in net assets, without donor restrictions to net cash provided by operating activities:		
Depreciation	48,732	53,006
Gain on disposal of furniture, fixtures and equipment	-	(2,466)
Change in working capital components:		
Receivables	(3,472)	(20,795)
Prepaid expenses	38,957	(14,044)
Accounts payable and accrued expenses	(45,159)	48,593
Deferred income	215,752	(226,927)
Deferred rent	(30,805)	(30,804)
Net cash provided by operating activities	392,740	51,572
Cash flows from investing activities:		
Change in affiliate receivables	21,719	(16,394)
Purchase of furniture, fixtures and equipment	(144,222)	(61,552)
Purchase of certificates of deposit	(563,822)	(3,507,677)
Proceeds from redemption of certificates of deposit	935,951	3,549,712
Net cash provided by (used in) investing activities	249,626	(35,911)
Net increase in cash and restricted cash	642,366	15,661
Cash and restricted cash:		
Beginning	1,100,630	1,084,969
Ending	\$ 1,742,996	\$ 1,100,630
Reconciliation of cash and restricted cash:		
Cash	\$ 1,683,409	\$ 1,023,176
Restricted cash	59,587	77,454
Total cash and restricted cash	\$ 1,742,996	\$ 1,100,630

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 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 accounting principles generally accepted in the United States of America (U.S. GAAP) 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 fair value as discussed in Note 8. Certificates of deposit have original maturities greater than three months. Certificates of deposit that mature within one year of the League's fiscal year end are classified as current assets on the statement of financial position. Certificates of deposit that mature greater than one year from the League's fiscal year end are classified as noncurrent assets on the statements of financial position.

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.

Concentration of credit risk: The League had cash at a financial institution in excess of FDIC-insured limits at various times throughout the years ended June 30, 2021 and 2020. The League has not experienced any losses in such accounts.

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. As of June 30, 2021 and 2020, management determined that no allowance was necessary.

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: The League recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows: (1) identify the contract; (2) identify the performance obligations; (3) determine the transaction price; (4) allocate the transaction price; and (5) recognize revenue. Revenue is recognized when promised goods or services are transferred to the customers in an amount that reflects the consideration expected in exchange for those goods or services.

Iowa League of Cities

Notes to Financial Statements

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

Membership dues, associate dues and partner dues are considered exchange transactions based on the value of benefits provided. Dues are fixed fees, with rates by member type established by the Board annually. The League recognizes dues revenue over the annual membership period as the member benefits are conveyed and the performance obligation is satisfied, which matches the League's fiscal year.

Revenue from royalties is recognized in the period earned. Revenue from certain royalty agreements is earned over the term of the agreements and is recognized using the straight-line method over the term of the agreements. The transaction price is established as described in Note 5 and agreements are renegotiated annually. In instances where the agreement stipulates variable consideration, such as fees and royalties based on expenses incurred or as a percentage of a benchmark, management estimates the amount of revenue expected to be earned, if any, during the contract period as the constraints on variable consideration are removed and revenue is recognized over time as services are provided over time.

Registrations are fees paid to attend conferences and seminars presented to members. Advertising and sponsorships relate to fees paid to advertise at or sponsor League events or publications. Revenue from registrations, advertising and sponsorships are recognized at a point in time when the related performance obligation is satisfied.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award. Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance. Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

The payment terms and conditions in contracts vary and contain no financing component. Payments in general are required to be made in advance prior to the beginning of the membership period, in advance of the event, or as stated per the agreement. Differences between the timing of billings and the recognition of revenue are recognized as either accounts receivable or deferred income in the statement of financial position. Prepayments for membership dues and other fees are classified as deferred income and recognized over future periods in accordance with the applicable contract and the League's revenue recognition policy.

Deferred income: Deferred income represents 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 a lease agreement 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) 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 are no income tax filing requirements of the League.

Net assets without donor restrictions: The League's net assets are not subject to donor-imposed stipulations and are available for use in general operations. The League's governing Board may earmark portions of its net assets without donor restrictions as Board-designated for various purposes. There were no board designated net assets without donor restrictions as of June 30, 2021 or 2020.

Iowa League of Cities

Notes to Financial Statements

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

Risks and uncertainties: The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and people throughout the United States. Further, financial markets have recently experienced significant volatility attributed to coronavirus concerns. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which the coronavirus impacts the League's results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the League, but such an impact could have a material adverse effect on the financial condition of the League.

Subsequent events: Management has evaluated potential subsequent events through November 1, 2021, which is the date that the financial statements were available to be issued. Through that date, there were no events requiring disclosure.

Note 2. Liquidity

The League regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of June 30, 2021 and 2020, the following financial assets were available to meet annual operating needs of the following fiscal year:

	2021	2020
Unrestricted cash	\$ 1,683,409	\$ 1,023,176
Accounts receivable	137,438	155,685
Certificates of deposit, current	504,379	424,508
	<u>\$ 2,325,226</u>	<u>\$ 1,603,369</u>

The League has various sources of liquidity at its disposal, including cash, accounts receivable and certificates of deposit maturing within one year. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The accounts receivables are subject to implied time restrictions but are expected to be collected within one year.

The League's Board has established a contingency reserve fund policy as part of managing its liquidity to cover fixed costs and preserve essential services during periods of financial stress, to provide resources to undertake a major initiative which cannot be fully funded through the operating budget or with designated funds, to ensure adequate cash flow to meet operating needs, to minimize borrowing related to capital purchases and to generate investment income to reduce pressure on member dues. The contingency reserve is established as an amount equal to, or in excess of, a percentage of the annual operating budget. The Board established contingency reserve totaled \$1,293,000 and \$1,246,000 as of June 30, 2021 and 2020, respectively.

Iowa League of Cities

Notes to Financial Statements

Note 3. Furniture, Fixtures and Equipment

Detail of furniture, fixtures and equipment is as follows at June 30, 2021 and 2020:

	2021	2020
Furniture and fixtures	\$ 129,486	\$ 128,643
Computer equipment	509,874	506,823
Autos	132,920	132,920
Other equipment	95,391	92,588
Software in progress	137,525	-
	<u>1,005,196</u>	<u>860,974</u>
Accumulated depreciation	786,193	737,461
	<u>\$ 219,003</u>	<u>\$ 123,513</u>

Note 4. 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 \$264,000 and \$250,000 for the years ended June 30, 2021 and 2020, 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 50 cents on the dollar up to 2% of gross salary. Employer contributions totaled approximately \$48,000 and \$44,000 for the years ended June 30, 2021 and 2020, respectively.

Note 5. Related-Party Transactions

Approximate revenues for the years ended June 30, 2021 and 2020, 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	
	2021	2020	2021	2020
Iowa Communities Assurance Pool royalty fee	\$ 327,000	\$ 300,000	\$ 9,000	\$ 7,000
Iowa Municipalities Workers' Compensation Association management fee	1,970,000	1,835,000	12,000	16,000
Iowa Municipalities Workers' Compensation Association royalty fee	141,000	156,000	-	-
Iowa Public Agency Investment Trust royalty fee	119,000	232,000	3,000	23,000
Iowa City Management Association service fee	19,000	17,000	2,000	2,000
Iowa Municipal Attorneys Association service fee	7,000	9,000	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 nonvoting member of the Board of Directors of ICAP.

Iowa League of Cities

Notes to Financial Statements

Note 5. Related-Party Transactions (Continued)

The League has a management agreement with the Iowa Municipalities Workers' Compensation Association (IMWCA), an affiliate that provides for a management fee of approximately \$164,000 per month at June 30, 2021. 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 nonvoting 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 nonvoting 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 nonvoting treasurer of IMAA.

Note 6. Lease Commitment and Rent Expense

The League leases office space under a 10-year noncancelable operating lease that expires in October 2023. The lease requires monthly base rental payments of \$3,590, 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:

Years ending June 30:	
2022	\$ 136,000
2023	136,000
2024	46,000
	<u>\$ 318,000</u>

Rent expense for the years ended June 30, 2021 and 2020, totaled approximately \$225,000 and \$223,000, respectively.

Iowa League of Cities

Notes to Financial Statements

Note 7. Functional Expenses

Approximate expenses for program services and general and administrative supporting activities for the years ended June 30, 2021 and 2020, are as follows:

	2021		
	Program Service	General and Administrative	Total
Salaries, payroll taxes and fringe benefits	\$ 2,583,268	\$ 592,906	\$ 3,176,174
Rent	129,262	95,567	224,829
Telephone	12,700	9,528	22,228
Travel	1,467	2,259	3,726
Legal and accounting fees	7,500	18,558	26,058
Consulting fees	114,462	71,154	185,616
Dues and subscriptions	7,493	86,160	93,653
Insurance	33,500	32,279	65,779
Equipment and computer	-	131	131
Printing	40,118	-	40,118
Postage	18,286	3,205	21,491
Supplies	8,858	8,056	16,914
Meeting	14,126	4,801	18,927
Training	1,220	1,229	2,449
Online registrations	-	4,051	4,051
Depreciation	16,383	32,349	48,732
Miscellaneous	462	4,805	5,267
Total	<u>\$ 2,989,105</u>	<u>\$ 967,038</u>	<u>\$ 3,956,143</u>

	2020		
	Program Service	General and Administrative	Total
Salaries, payroll taxes and fringe benefits	\$ 2,466,509	\$ 743,951	\$ 3,210,460
Rent	120,592	101,985	222,577
Telephone	12,700	11,222	23,922
Travel	15,111	16,154	31,265
Legal and accounting fees	-	14,570	14,570
Consulting fees	107,165	22,288	129,453
Dues and subscriptions	11,331	81,524	92,855
Insurance	33,500	27,550	61,050
Equipment and computer	-	798	798
Printing	54,597	-	54,597
Postage	25,870	3,976	29,846
Supplies	26,298	9,687	35,985
Meeting	171,721	10,373	182,094
Training	655	6,694	7,349
Online registrations	-	8,830	8,830
Depreciation	15,588	37,418	53,006
Miscellaneous	743	2,196	2,939
Total	<u>\$ 3,062,380</u>	<u>\$ 1,099,216</u>	<u>\$ 4,161,596</u>

Lobbying expenses for the years ended June 30, 2021 and 2020, totaled approximately \$113,000 and \$109,000, respectively.

Iowa League of Cities

Notes to Financial Statements

Note 8. Fair Value Measurements

The League measures fair value of financial instruments in accordance with the Fair Value Measurements and Disclosures topic of the ASC. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The League is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active markets from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The level to which an asset or liability is classified is based upon the lowest level of input that is significant to the fair value measurements.

Certificates of deposit: Certificates of deposit are corporate bonds which are reported at fair value based on inputs that are observable such as interest rates and comparable market data. They are classified within Level 2 of the valuation hierarchy.

Iowa League of Cities

**Executive Board and Staff
(Unaudited)**

Name Title Board Term Expires

EXECUTIVE BOARD

Quentin Hart	President	Sep-21
Donny Hobbs	President-Elect	Sep-21
Tom Lazio	Immediate Past President	Sep-21
John Lundell	Past President	Sep-21
Scott Naumann	Past President	Sep-22
Brad Cavanagh	Director	Sep-21
Tom Cope	Director	Sep-21
John Haila	Director	Sep-22
Michael Holton	Director	Sep-22
David Jones	Director	Sep-21
Shirley McAdon	Director	Sep-21
Dawn Meyer	Director	Sep-21
Gregg Peklapp	Director	Sep-21
Al Roder	Director	Sep-21
Tim Schmidt	Director	Sep-22
Corrin Spiegel	Director	Sep-22
Christopher Taylor	Director	Sep-21
Ashley Varnorny	Director	Sep-21
Scott Wynja	Director	Sep-22

STAFF

Alan Kemp	Executive Director	Indefinite
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