

INTER FACULTY ORGANIZATION

FINANCIAL STATEMENTS

June 30, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
INTER FACULTY ORGANIZATION
Saint Paul, Minnesota

We have audited the accompanying statements of financial position of **INTER FACULTY ORGANIZATION** (a Minnesota tax-exempt corporation) as of June 30, 2011 and 2010 and the related statements of activities, statements of cash flows and schedules of operating expenses for the years then ended. These financial statements are the responsibility of the Organization'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 **INTER FACULTY ORGANIZATION**, as of June 30, 2011 and 2010 and its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


THOMAS LEWIS & ASSOCIATES, P.A.

August 15, 2011



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**INTER FACULTY ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010**

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents, unrestricted		
Unrestricted, undesignated	\$ 2,445,180	\$ 1,081,994
Board designated - lobbying fund	1,455	20,656
Total Cash and Cash Equivalents	2,446,635	1,102,650
Accounts receivable	2,193	-
Prepaid expenses	22,125	21,826
Total Current Assets	2,470,953	1,124,476
INVESTMENTS	1,004,594	1,861,890
PROPERTY AND EQUIPMENT - At Cost		
Automobile	25,925	25,925
Equipment and furniture	108,034	103,425
	133,959	129,350
Less, accumulated depreciation	106,041	97,014
Net Property and Equipment	27,918	32,336
OTHER ASSETS		
Security deposit	5,000	5,000
TOTAL ASSETS	\$ 3,508,465	\$ 3,023,702

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 8,616	\$ 938
Payable to MnSCU	305,405	273,657
Accrued wages and taxes	19,915	17,821
Other accrued liabilities	4,367	2,879
Accrued severance payable	151,798	136,845
Accrued vacation payable	32,842	25,623
Accrued sick payable	133,219	128,786
Total Current Liabilities	656,162	586,549
NET ASSETS		
Unrestricted, Board designated:		
Lobbying fund	1,455	20,656
Unrestricted, undesignated	2,850,848	2,416,497
Total Net Assets	2,852,303	2,437,153
TOTAL LIABILITIES AND NET ASSETS	\$ 3,508,465	\$ 3,023,702

See independent auditor's report and notes to financial statements

**INTER FACULTY ORGANIZATION
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2011 and 2010**

	2011	2010
REVENUE		
Membership Income:		
Unified dues	\$ 1,531,956	\$ 1,560,520
Fair share collections	397,697	403,213
Refunds	(1,509)	(2,978)
	1,928,144	1,960,755
Net Membership Income		
EXPENSES (Page 5)		
Staff salaries and related expenses	802,922	781,477
General expense	823,518	847,921
Other expense	15,080	17,614
	1,641,520	1,647,012
Total Expenses		
Operating Income	286,624	313,743
OTHER INCOME (EXPENSE)		
Reimbursements and miscellaneous income	368	601
Interest and dividends	25,914	31,038
Realized and unrealized gain (loss) on investments	102,384	160,502
Net loss on disposal of fixed assets	(140)	-
	128,526	192,141
Total Other Income (Expense)		
INCREASE IN UNRESTRICTED NET ASSETS	415,150	505,884
UNRESTRICTED NET ASSETS, beginning of year	2,437,153	1,931,269
UNRESTRICTED NET ASSETS, end of year	\$ 2,852,303	\$ 2,437,153

See independent auditor's report and notes to financial statements

**INTER FACULTY ORGANIZATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 415,150	\$ 505,884
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Unrealized loss (gain) on investments	-	(148,115)
Depreciation and amortization	15,080	17,614
(Increase) decrease in current assets:		
Accrued interest receivable	-	4,680
Accounts receivable	(2,193)	-
Prepaid expenses	(299)	(4,027)
Increase (decrease) in current liabilities:		
Accounts payable	39,426	(6,804)
Accrued wages and taxes	2,094	2,769
Accrued other liabilities	1,488	2,197
Accrued severance payable	14,953	8,533
Accrued vacation	7,219	(1,541)
Accrued sick payable	4,433	265
	497,351	381,455
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments, including realized gains	458,200	574,464
Realized gains on investments included in proceeds	(102,384)	(12,387)
Purchase of property and equipment	(11,227)	(12,341)
Disposition of property and equipment	6,618	25,364
Accumulated depreciation on disposed property and equipment	(6,053)	(25,364)
Maturities of certificates of deposit	1,750,000	1,271,500
Investments in certificates of deposit	(1,250,000)	(1,750,000)
Net CD interest received (reinvested)	1,480	(6,504)
	846,634	64,732
INCREASE IN CASH AND CASH EQUIVALENTS	1,343,985	446,187
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,102,650	656,463
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,446,635	\$ 1,102,650

See independent auditor's report and notes to financial statements

INTER FACULTY ORGANIZATION
SCHEDULES OF OPERATING EXPENSES
For the Years Ended June 30, 2011 and 2010

	2011	2010
EXPENSES		
Staff Salaries and Related Expenses:		
Salaries, payroll taxes and fringe benefits	\$ 662,901	\$ 650,055
Medical, tuition and other benefits	119,035	112,990
Staff expense and travel	20,986	18,432
	802,922	781,477
Total Staff Salaries and Related Expenses		
 GENERAL EXPENSES		
State meeting and conference	12,850	17,418
Research materials	3,589	3,564
Office expenses and communication	8,972	10,120
Printing	2,268	5,089
Office rent	44,702	44,702
Professional services	6,500	6,417
Contracted services	14,571	12,397
Telephone and internet access	6,464	7,506
Legal expenses	-	45,127
Grievances - travel costs	7,570	5,063
Insurance - general	11,666	10,931
Equipment repairs and maintenance	9,710	8,913
Lobby expense	48,667	40,570
IFO President's release to MnSCU	64,479	64,318
IFO board	34,493	44,946
Local Presidents' release to MnSCU	248,828	228,839
Delegate assembly	-	37,274
Official travel	31,051	47,476
Academic affairs committee	2,203	-
Feminist issues committee	6,721	3,921
Multicultural affairs committee	6,425	5,567
Budget review committee	1,244	-
Negotiation expense	35,827	15,119
Local association support	188,215	171,355
GLBTA committee	3,026	4,225
Salary equity committee	5,089	1,931
Benefits equity committee	1,651	1,972
Miscellaneous	16,737	3,161
	823,518	847,921
Total General Expenses		
 OTHER EXPENSE		
Depreciation	15,080	17,614
	15,080	17,614
Total Other Expense		
	\$ 1,641,520	\$ 1,647,012
Total Expenses		

See independent auditor's report and notes to financial statements

**INTER FACULTY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Inter Faculty Organization (the Organization) is a non-profit labor organization for faculty members of the seven Minnesota State Universities. The functions of the Organization include labor contract maintenance, grievance resolution, arbitration, collective bargaining, legislative lobbying and related benefits for faculty. The board of directors of the Organization is responsible for establishing legislative and fiscal control of the Organization and, accordingly, the Board exercises administrative control and establishes an annual budget in odd-numbered years to affect fiscal control. The Delegate Assembly establishes an annual budget in even-numbered years. Criteria for determining the entity for financial reporting purposes are whether the governing body (the Board) exercises oversight responsibility. Oversight respectively includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Basis for Presentation

The financial statements have been prepared in conformity with the disclosure requirements for nonprofit organizations under generally accepted accounting principles. Under these provisions, net assets and revenue, expenses, gains and losses are classified on the existence or absence of donor-imposed restrictions. Accordingly, the Association's net assets and changes thereto are classified and reported as follows:

Unrestricted Net Assets – This classification contains net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Includes net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization or with the passage of time.

Permanently Restricted Net Assets– Are net assets subject to donor-imposed restrictions stipulating that the corpus be held in perpetuity. The Organization has no permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash held in a lobbying fund, which is restricted for lobbying activities, was \$1,455 and \$20,656 at June 30, 2011 and 2010, respectively.

Accounts Receivable

Accounts receivable are typically insignificant, therefore it is the policy of the Organization to write off bad debts as they become uncollectible based upon an analysis of specific accounts.

Revenues

Revenues, which consist of membership dues and fair share fees, is recognized over the course of the fiscal year, which is consistent with when payments are received from faculty members during the traditional school year.

**INTER FACULTY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from federal and state income taxes as organizations described under Section 501(c)(5) of the Internal Revenue Code and section 290.05 of the Minnesota Statute. The Organization's open audit periods are the years ended June 30, 2008 through 2011.

The Organization has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2011.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for tax return years prior to the year ended June 30, 2008.

The Organization's policy is to classify any income tax related interest and penalties in interest expense and other expenses, respectively.

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided using the straight-line method with useful lives of three to ten years in accordance with generally accepted accounting principles. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Estimates

Management of the Organization uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Reclassifications

Certain 2010 amounts have been reclassified in order to conform to the 2011 financial statement presentation.

**INTER FACULTY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE B – INVESTMENTS

The Organization's investments at June 30, 2011 and 2010 are stated at fair value and consist of certificates of deposit and marketable securities.

"Fair value" is defined as the price that an Organization would receive upon selling in an advantageous market for the investment. Various inputs are used in determining the value of an Organization's investments. The accounting standards establish a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below:

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 - Significant unobservable inputs (including the Organization's own assumptions in determining fair value of investments).

All of the Organization's investments are measured at fair value on a recurring basis.

The Organization's certificates of deposit earn interest at rates ranging from 0.797% to 0.85% and mature at various dates between November 2011 and May of 2013. Fair values and unrealized appreciation are summarized as follows:

	2011		2010	
	Cost	Market Value	Cost	Market Value
Certificates of Deposit	\$ 1,000,000	\$ 1,004,594	1,500,000	1,506,074
Corporate Stock and Mutual Funds (Agent-Managed)	-	-	461,128	355,816
	\$ 1,000,000	\$ 1,004,594	\$ 1,961,128	\$ 1,861,890

The following schedule summarizes the net investment gains (losses) reported in the Statement of Activities:

	2011	2010
Interest and dividend income	\$ 25,914	\$ 31,038
Realized gains (losses)	102,384	12,387
Unrealized gains (losses)	-	148,115
Net investment gain	\$ 128,298	\$ 191,540

**INTER FACULTY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE C – EMPLOYEE BENEFITS

Pension Plan

The Organization has a non-contributory, trustee defined contribution pension plan which covers all full-time employees and some part-time employees. The Organization's policy is to contribute 20 percent of gross wages for each eligible participant, net of any forfeiture payable. Contributions to the plan were \$111,024 and \$110,463 for the years ended June 30, 2011 and 2010, respectively.

Severance, Vacation and Sick Pay

The Organization has adopted a policy whereby certain IFOSA employees can earn severance pay to be paid upon termination based on length of service. Employees hired subsequent to October 1, 2003 become eligible after two years of employment. All employees hired prior to October 1, 2003 are eligible.

Accrued vacation and sick time is earned ratably over the fiscal year and is payable upon employee use. Accrued vacation is also payable upon termination. Certain limits apply to the maximum amount that can be accrued and carried over from year to year.

NOTE D – COMMITMENTS AND CONTINGENCIES

Financial Instruments

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and investment securities. In general, investments are subject to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the statement of financial position.

Federal Deposit Insurance

The Federal Deposit Insurance Corporation insures deposit accounts up to \$250,000 per financial institution. The Organization may, from time to time, exceed this limit. At June 30, 2011 and 2010 the Organization had no balances in excess of these limits. However, if in the future, this limit is exceeded, the Inter Faculty Organization's current banking vendor carries its own insurance to cover all account balances in excess of the FDIC's limits.

Lease Obligations

The Organization leases office space under a five-year lease dated April 20, 2009. Gross monthly rent is \$3,725. Future minimum lease payments are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2012	\$44,701
2013	44,701
2014	44,701

**INTER FACULTY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE E – RELATED PARTIES

Due to the nature of the Organization's activities and geographic location of board and committee members, numerous reimbursable expenses are incurred and paid to board and committee members. Expenses totaling \$69,477 and \$64,280 were reimbursed to board and committee members during the years ended June 30, 2011 and 2010, respectively. The Organization utilizes the services of certain MnSCU employees and reimburses MnSCU for their time. Total salaries reimbursed to MnSCU were \$240,926 and \$293,157 for the years ended June 30, 2011 and 2010, respectively.

NOTE F – SUBSEQUENT EVENTS

The Organization did not have any subsequent events through August 15, 2011, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2011.