

**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2015**

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## Independent Auditor's Report

To the Board of Directors  
Independent Electrical Contractors Foundation  
Alexandria, VA

We have audited the accompanying financial statements of Independent Electrical Contractors Foundation (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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.

Independent Auditor's Report  
Independent Electrical Contractors Foundation  
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*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independent Electrical Contractors Foundation as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

*James Marusa & McQuade PA*

Washington, DC  
October 26, 2015

**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	163,687
Accounts receivable		1,200
Pledges receivable		51,436
Total Current Assets		216,323

**FURNITURE AND EQUIPMENT**

Furniture and equipment		4,182
Accumulated depreciation		(4,182)
Furniture and equipment, net		-

**NON-CURRENT ASSETS**

Investments		705,500
Endowment fund		444,025
Total Non-Current Assets		1,149,525

**TOTAL ASSETS**

**\$ 1,365,848**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$	54,715
Deferred revenue		40,000
Due to affiliate		156
Total Current Liabilities		94,871

**NET ASSETS**

Unrestricted		806,876
Temporarily restricted		34,016
Permanently restricted		430,085
Total Net Assets		1,270,977

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 1,365,848**

See independent auditor's report and accompanying notes to the financial statements.

**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions and grants	\$ 138,887	\$ 149,825	\$ 20,000	\$ 308,712
In-kind contributions	679,450	-	-	679,450
Meetings and events	27,549	-	-	27,549
Interest and dividends	188	112	-	300
Net assets released from restrictions	244,047	(244,047)	-	-
Total revenue and support	1,090,121	(94,110)	20,000	1,016,011
<b>EXPENSES</b>				
Program services:				
Training equipment and education	857,957	-	-	857,957
Scholarships	122,962	-	-	122,962
Total program services	980,919	-	-	980,919
Supporting services:				
Fundraising	20,503	-	-	20,503
Management and general	47,929	-	-	47,929
Total support services	68,432	-	-	68,432
Total expenses	1,049,351	-	-	1,049,351
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	40,770	(94,110)	20,000	(33,340)
<b>OTHER CHANGES</b>				
Net appreciation in fair value of investments	23,131	13,828	-	36,959
<b>CHANGE IN NET ASSETS</b>	63,901	(80,282)	20,000	3,619
<b>NET ASSETS:</b>				
Beginning of year	742,975	114,298	410,085	1,267,358
End of year	\$ 806,876	\$ 34,016	\$ 430,085	\$ 1,270,977

See independent auditor's report and accompanying notes to the financial statements.

**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2015**

	PROGRAM SERVICES			SUPPORT SERVICES			Total Expenses
	Training Equipment and Education	Scholarships	Total Program Services	Fundraising	Management and General	Total Support Services	
Accounting and audit fees	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ 5,000
Award	-	-	-	-	25	25	25
Bad debt	-	-	-	-	9,035	9,035	9,035
Bank charges	-	-	-	-	3,068	3,068	3,068
Convention and meeting	-	-	-	18,130	5,581	23,711	23,711
Consultants	77,890	11,159	89,049	1,864	16,804	18,668	107,717
Dues and subscriptions	-	-	-	-	80	80	80
Donated goods and services	758,758	-	758,758	-	-	-	758,758
Insurance	-	-	-	-	3,736	3,736	3,736
Postage and delivery	3,004	430	3,434	72	649	721	4,155
Printing and copying	5,367	769	6,136	128	1,158	1,286	7,422
Professional fees	2,650	380	3,030	63	572	635	3,665
Scholarship	-	108,750	108,750	-	-	-	108,750
Supplies and small equipment	4,678	670	5,348	112	1,010	1,122	6,470
Travel	5,245	752	5,997	125	1,132	1,257	7,254
Website	365	52	417	9	79	88	505
<b>Total Expenses</b>	<b>\$ 857,957</b>	<b>\$ 122,962</b>	<b>\$ 980,919</b>	<b>\$ 20,503</b>	<b>\$ 47,929</b>	<b>\$ 68,432</b>	<b>\$ 1,049,351</b>

See independent auditor's report and accompanying notes to the financial statements.

**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$	3,619
Adjustments to reconcile change in net assets to net cash used for operating activities		
Proceeds from contributions restricted for long-term use		(20,000)
Net appreciation in fair value of investments		(36,959)
Decrease (increase) in assets:		
Accounts receivable		(1,200)
Pledges receivable		(41,036)
Prepaid expenses		1,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		(68,164)
Deferred revenue		14,600
Due from affiliate		(232)
Net Cash Used for Operating Activities		(148,372)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sales of investments		26,955
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from contributions restricted for long-term use		20,000
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**NET DECREASE IN CASH AND  
CASH EQUIVALENTS**

(101,417)

**CASH AND CASH EQUIVALENTS, beginning of year**

265,104

**CASH AND CASH EQUIVALENTS, end of year**

\$ 163,687

See independent auditor's report and accompanying notes to the financial statements.



**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE A – NATURE OF THE ORGANIZATION**

The Independent Electrical Contractors Foundation (the “Foundation”) was formed in 1996 to fund, promote, and support educational opportunities in the electrical and communications industries. As a responsible partner and stakeholder in the electrical industry, the Foundation is dedicated to improving the profession and quality of life in the community at-large.

The following is a general description of the program activities:

Training Equipment and Education - The Foundation provides opportunities for introducing and guiding men and women to successful and satisfying careers in the electrical and communications industries through equipment grants for use by local training and education centers.

Scholarships - The Foundation awards scholarships to deserving and qualified students who have demonstrated drive, dedication, and leadership in their pursuit of careers in the electrical industry. The Foundation’s scholarships are offered to members of the Independent Electrical Contractors, Inc. (“IEC”), an affiliated entity of the Foundation, and their immediate families who plan to pursue post-secondary education in college or state accredited apprenticeship programs.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Foundation are prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation

The accompanying financial statements are those of the Foundation and are not intended to be the financial statements of the primary reporting entity. The financial statements of the primary reporting entity include IEC and its affiliates on a consolidated basis.

**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Not-for-Profit Entities*. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein, are classified and reported as follows:

*Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed restrictions that will be met by either actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents in non-interest bearing accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the accounts may exceed this limit; however, the Foundation believes it is not exposed to any significant credit risk on cash or cash equivalents.

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from balances outstanding at year end. Pledges receivable are due from donors and are expected to be collected by the Foundation within one year. Annually, management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection of information, and existing economic conditions. As a result of these reviews, allowances are recorded for customer balances deemed to be uncollectible. The Foundation believes all receivables are collectible. Therefore, no allowance for doubtful accounts was established as of June 30, 2015.

**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Investments

Investments in marketable securities, such as mutual funds, are stated at fair value based on quoted market prices. Investment income is included as an increase in unrestricted net assets in the accompanying statement of activities unless donor restrictions apply.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value as of the date of donation. Expenditures greater than \$1,000 that significantly improve or extend the life of an asset are capitalized, while repairs and maintenance are expensed. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally five to seven years.

Revenue Recognition

Contributions including unconditional promises to give are recognized as revenue in the period in which they are received. Grants are recognized as revenue in the period in which such promises or agreements are made, generally when the agreements have been received. Pledges expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the estimated future cash flow.

Meetings and events revenues are recognized in the year in which the conventions are held. Amounts received in advance are recorded as deferred revenue.

In-Kind Contributions

In-kind contributions are recorded at fair value of the services or items received. The Foundation recognizes in-kind contributions that create or enhance non-financial assets, or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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.

**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Functional Expense Classification

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services that benefited from such costs.

**NOTE C – INCOME TAXES**

The Foundation is a 501(c)(3) organization that is exempt from federal income tax under Section 501(a) of the Internal Revenue Code except on business income unrelated to the Foundation's exempt purpose. The Foundation has been classified as other than a private foundation.

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Foundation's information returns are subject to examination by the Internal Revenue Service after a period of three years from the date they were filed, except under certain circumstances. The Foundation's income information returns for the years 2012 through 2014 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

**NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 1 of the fair value hierarchy under FASB ASC 820 is described as inputs to the valuation methodology that are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(continued)

**NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS – continued**

The three levels of the fair value hierarchy are described as follows:

- Level 1*      Inputs are based on unadjusted quoted prices for identical assets traded in active markets that the Foundation has the ability to access.
- Level 2*      Inputs are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means
- Level 3*      Inputs are unobservable and significant to the fair value measurement.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation’s management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation’s investments at fair value on a recurring basis as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Fixed income	\$ 358,380	\$ -	\$ -	\$ 358,380
Equities	791,115	-	-	791,115
Total	<u>\$ 1,149,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,149,525</u>

Unrestricted investment earnings consist of the following for the year ended June 30, 2015:

Interest and dividends	\$ 188
Net appreciation in fair value of investments	<u>23,131</u>
Total investment income	<u>\$ 23,319</u>

**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(continued)

**NOTE E – IN-KIND CONTRIBUTIONS**

The Foundation recognizes contribution revenue and expenses for donated in-kind goods and services received, at the fair value of those services. Donated services are recognized when the service require specialized skills, are provided by individual with those skills and would typically need to be purchased if the services had no been donated. For the year ended June 30, 2015, donated goods totaled \$679,450.

**NOTE F – RELATED PARTY TRANSACTIONS**

The Foundation provides education and training programs that allow apprentices the opportunity to gain valuable training they need to become professional electricians and join the workforce. IEC incurred expenses on behalf of the Foundation, which had not been paid as of the year ended June 30, 2015. The amount due to IEC totaled \$156 as of June 30, 2015.

**NOTE G – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets represent contributions that are restricted by the donor as to either purpose or time. Temporarily restricted net assets totaled \$34,016 for scholarships and endowment earnings for the year ended June 30, 2015.

**NOTE H – ENDOWMENT**

Interpretation of Relevant Law

The Foundation has interpreted the *Uniform Prudent Management of Institutional Funds Act of 2008* (“UPMIFA”) enacted by the General Assembly of the Commonwealth of Virginia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in the manner consistent with the standard of prudence prescribed by the *Uniform Prudent Management of Institutional Funds Act of 2008* (“UPMIFA”).

**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(continued)

**NOTE H – ENDOWMENT** – continued

UPMIFA was enacted to provide uniform and fundamental rules for the investment of funds held by charitable institutions and the expenditure of funds donated as “endowments” to those institutions and applies to the Foundation because it is a Virginia non-profit corporation.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General socioeconomic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policy of the Foundation

Earnings on endowment assets will be distributed as follows per the Foundation’s manual of procedures: 50% of interest and dividends will be distributed in annual grants to IEC training centers located throughout the United States, and the remaining 50% to be used by the Board for other grants, scholarships, and reinvestments into the endowment fund. Grant funds will not be distributed based on current appreciation of endowment earnings.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

To satisfy its investment objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of maintaining the full historical value of the permanently restricted endowments. The full investment portfolio is invested using an asset allocation mix with a range

**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(continued)

**NOTE H – ENDOWMENT – continued**

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

of 40% to 65% equities, 20% to 50% fixed income and up to 20% cash, per the Board approved investment policy, in an effort to generate funds to cover the endowment's long-term spending targets.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the Foundation. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies as of June 30, 2015.

Endowment net asset composition consists of the following at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted				
Endowment funds	\$ -	\$ 13,940	\$ 430,085	\$ 444,025

Changes in endowment net assets consist of the following for the period ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets				
beginning of year	\$ -	\$ 57,420	\$ 410,085	\$ 467,505
Contribution	-	-	20,000	20,000
Interest, net of fees	-	112	-	112
Net appreciation in fair				
value of investments	-	13,828	-	13,828
Appropriated for				
expenditures	-	(57,420)	-	(57,420)
Endowment net assets				
end of year	\$ -	\$ 13,940	\$ 430,085	\$ 444,025



**INDEPENDENT ELECTRICAL CONTRACTORS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(continued)

**NOTE I - SUBSEQUENT EVENTS**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 26, 2015, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.