

Audited Financial Statements

**INDEPENDENT ELECTRICAL CONTRACTORS
FOUNDATION**

December 31, 2009

Independent Electrical Contractors Foundation

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T A T E



T R Y O N

A Professional Corporation

Certified Public

Accountants

and Consultants

Independent Auditor's Report

To the Board of Directors
Independent Electrical Contractors Foundation

We have audited the accompanying statements of financial position of the Independent Electrical Contractors Foundation (the Foundation) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 audits 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 the Independent Electrical Contractors Foundation at December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Washington, DC
September 22, 2010

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Independent Electrical Contractors Foundation

Statements of Financial Position

<i>December 31,</i>	2009	2008
Assets		
Cash and cash equivalents - Note B	\$ 307,470	\$ 309,414
Investments - Notes B & C	578,840	414,839
Due from affiliate - Note D	1,677	21,795
Unconditional promises to give - Note E	181,457	307,229
Other assets	295	15
Total assets	\$ 1,069,739	\$ 1,053,292
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 4,564	\$ 86,741
Net assets		
Unrestricted	669,860	572,029
Temporarily restricted - Note F	45,230	44,537
Permanently restricted - Note G	350,085	349,985
Total net assets	1,065,175	966,551
Total liabilities and net assets	\$ 1,069,739	\$ 1,053,292

Independent Electrical Contractors Foundation

Statements of Activities

<i>Year Ended December 31,</i>	2009	2008
Unrestricted activities		
Revenue		
Equipment grants	\$ 412,450	\$ 327,254
Investment income - Note C	107,088	(133,267)
Contributions	96,431	27,620
Humanitarian	30,659	45,879
Chapter education	23,200	20,932
Net assets released from restriction	133,522	164,417
Total unrestricted revenue and support	803,350	452,835
Expense		
Program services		
Equipment grants	412,539	327,254
Contributions	129,678	161,935
Chapter education	39,521	49,908
Humanitarian	4,500	5,000
Scholarships	3,687	2,000
Total program services	589,925	546,097
Supporting services - administrative	115,594	86,020
Total expense	705,519	632,117
Change in unrestricted net assets	97,831	(179,282)
Temporarily restricted activities		
Contributions	134,058	189,815
Investment income - Note C	157	482
Net assets released from restriction	(133,522)	(164,417)
Change in temporarily restricted net assets	693	25,880
Permanently restricted activities		
Contributions - endowment campaign	100	60,100
Change in permanently restricted net assets	100	60,100
Change in net assets	98,624	(93,302)
Net assets, beginning of year	966,551	1,059,853
Net assets, end of year	\$ 1,065,175	\$ 966,551

See notes to the financial statements.

Independent Electrical Contractors Foundation

Statements of Cash Flows

<i>Year Ended December 31,</i>	2009	2008
Cash flows from operating activities		
Change in net assets	\$ 98,624	\$ (93,302)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net (gain) loss on investments	(103,253)	139,495
Change in assets and liabilities:		
Unconditional promises to give	125,772	(59,286)
Other assets	(280)	30
Due from affiliate	20,118	(20,176)
Accounts payable and accrued expenses	(82,177)	77,121
Total adjustments	(39,820)	137,184
Net cash provided by operating activities	58,804	43,882
Cash flows from investing activities		
Purchases of investments, net	(60,748)	(46,973)
Net decrease in cash and cash equivalents	(1,944)	(3,091)
Cash and cash equivalents, beginning of year	309,414	312,505
Cash and cash equivalents, end of year	\$ 307,470	\$ 309,414

Independent Electrical Contractors Foundation

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Independent Electrical Contractors Foundation (the Foundation) was formed in 1996 to promote and support educational opportunities in the electrical and communications industry. As a responsible partner and stakeholder in these industries, the Foundation is dedicated to improving the electrical and communications professions and quality of life in our communities.

Income tax status: The Foundation is exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation.

The Foundation adopted the accounting standard related to uncertain income tax positions. The standard requires that an uncertain income tax position must be more likely than not (greater than 50% likelihood to occur) before it is recognized in the financial statements. Furthermore, this standard requires that the amount recognized be the same as that which would be determined as a result of a review by tax authorities having all relevant information. During the year ended December 31, 2009, management did not identify any uncertain income tax positions. The Foundation believes it is no longer subject to U.S. Federal, state, and local income tax examinations by taxing authorities for years ending before December 31, 2006.

Basis of accounting: The accompanying financial statements have been prepared using the accrual basis of accounting. Revenue is recognized when earned and expense when the obligation is incurred.

Use of estimates: Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, the Foundation considers all highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents.

Unconditional promises to give: Unconditional promises to give represent contributions to be received and are recognized in the period the pledge is made. 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.

Independent Electrical Contractors Foundation

Notes to the Financial Statements

A. Organization and Summary of Significant Accounting Policies- Continued

Net assets: Net assets consist of the following:

Unrestricted: Net assets that are available for general operations.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by the Foundation has been donor restricted by specified time or purpose limitations. See Note F for details of temporarily restricted net assets.

Permanently restricted: Permanently restricted net assets represent funds to provide a permanent source of income to support the mission.

Contributions: Contributions are recorded as unrestricted or restricted support depending upon the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Functional allocation of expense: 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 benefited.

Subsequent events: Subsequent events have been evaluated through September 22, 2010.

B. CONCENTRATIONS

Credit risk: The Foundation maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portion of these accounts is backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Foundation.

Market value risk: The Foundation also invests funds in professionally managed mutual funds. Such investments are exposed to market and credit risks and may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Independent Electrical Contractors Foundation

Notes to the Financial Statements

C. INVESTMENTS

In accordance with generally accepted accounting principles, the Foundation uses the following prioritized input levels to measure fair value of financial instruments. The input levels used for valuing financial instruments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data.

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments are measured on a recurring basis at fair value using Level 1 inputs and consisted of the following at December 31,:

	2009	2008
Equities mutual funds	\$ 235,278	\$ 212,528
Bonds mutual funds	<u>343,562</u>	<u>202,311</u>
	<u>\$ 578,840</u>	<u>\$ 414,839</u>

Investment income (loss) consists of the following for the years ended December 31,:

	2009	2008
Interest and dividends	\$ 3,992	\$ 6,710
Net gain (loss) on investments	<u>103,253</u>	<u>(139,495)</u>
	<u>\$ 107,245</u>	<u>\$ (132,785)</u>

Independent Electrical Contractors Foundation

Notes to the Financial Statements

D. RELATED PARTY TRANSACTIONS

Independent Electrical Contractors Inc, (the Association) owed the Foundation for revenue collected by the Association on behalf of the Foundation, which was not paid as of year end. The amounts for the years ended December 31, 2009 and 2008 totaled \$1,677 and \$21,795, respectively.

E. UNCONDITIONAL PROMISES TO GIVE

Promises to give, recorded in the statements of financial position, have been discounted to present value and consist of the following as of December 31,:

	2009	2008
Receivable in less than one year	\$ 83,766	\$ 95,170
Receivable in one to five years	104,100	230,550
	187,866	325,720
Less discount to present value	(6,409)	(18,491)
Promises to give, net of discount	<u>\$ 181,457</u>	<u>\$ 307,229</u>

Unconditional promises to give have been discounted using a rate of 2.45% and 4.4% at December 31, 2009 and 2008.

F. 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 consist of the following:

	Balance December 31, 2008	Contributions & Investment Income	Released from Restriction	Balance December 31, 2009
Chapter Education	\$ 34,537	\$ 133,558	\$ 129,678	\$ 38,417
Endowment activities	-	157	157	-
Scholarship	10,000	500	3,687	6,813
	<u>\$ 44,537</u>	<u>\$ 134,215</u>	<u>\$ 133,522</u>	<u>\$ 45,230</u>
	Balance December 31, 2007	Contributions & Investment Income	Released from Restriction	Balance December 31, 2008
Chapter Education	\$ 16,657	\$ 179,815	\$ 161,935	\$ 34,537
Endowment activities	-	482	482	-
Scholarship	2,000	10,000	2,000	10,000
	<u>\$ 18,657</u>	<u>\$ 190,297</u>	<u>\$ 164,417</u>	<u>\$ 44,537</u>

Independent Electrical Contractors Foundation

Notes to the Financial Statements

G. ENDOWMENT

The Foundation's endowment consists of funds contributed as a permanent source of income for the IEC Training Centers located throughout the United States.

Interpretation of Relevant Law

The Foundation has interpreted the *Uniform Prudent Management of Institutional Funds Act of 2008* 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 funds 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 fund 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 prudence prescribed by *the Uniform Prudent Management of Institutional Funds Act of 2008* (UPMIFA). UPMIFA was established 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 the 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 economic 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; and
- (7) the investment policy of the Foundation.

Endowment asset earnings will be distributed as follows per the Foundation's investment policy: 50% of the earnings will be distributed in annual grants with the remaining 50% of the earnings to be used as directed by the Board for other grants, scholarships, re-investments into the endowment fund.

Return Objectives and Risk Parameters

As approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a low level of investment risk. The Foundation expects its endowment funds, over time, to provide an average annual rate of return of approximately 6%. Actual returns in any given year may vary from this amount.

Independent Electrical Contractors Foundation

Notes to the Financial Statements

G. ENDOWMENT - CONTINUED

Strategies Employed for Achieving 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 return objectives within prudent risk 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 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 returns to cover the endowment's long-term spending targets. The investment portfolio is managed by Merrill Lynch.

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 and amounted to \$35,680 and \$ 139,013 at December 31, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred.

Endowment net asset composition consists of the following at December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets	\$ 669,860	\$ 45,230	\$ 350,085	\$1,065,175
Less non-endowment net assets	(705,540)	(45,230)	-	(750,770)
Donor restricted endowment	\$ (35,680)	\$ -	\$ 350,085	\$ 314,405

Endowment net asset composition consists of the following at December 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets	\$ 572,029	\$ 44,537	\$ 349,985	\$ 966,551
Less non-endowment net assets	(711,042)	(44,537)	-	(755,579)
Donor restricted endowment	\$ (139,013)	\$ -	\$ 349,985	\$ 210,972

Independent Electrical Contractors Foundation

Notes to the Financial Statements

G. ENDOWMENT – CONTINUED

Changes in endowment net assets consist of the following for the year ended December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, December 31, 2008	\$ (139,013)	\$ -	\$ 349,985	\$ 210,972
Investment return:				
Interest and dividends		157		157
Realized and unrealized gain		103,176		103,176
Total investment return		103,333		103,333
Contributions			100	100
Appropriation	103,333	(103,333)		
Endowment funds, December 31, 2009	\$ (35,680)	\$ -	\$ 350,085	\$ 314,405

Changes in endowment net assets consist of the following for the year ended December 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, December 31, 2007	\$ -	\$ -	\$ 289,885	\$ 289,885
Investment return:				
Interest and dividends		482		482
Realized and unrealized loss		(139,495)		(139,495)
Total investment return		(139,013)		(139,013)
Contributions			60,100	60,100
Appropriation	(139,013)	139,013		-
Endowment funds, December 31, 2008	\$ (139,013)	\$ -	\$ 349,985	\$ 210,972