

FORT WAYNE EDUCATION ASSOCIATION, INC.

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

Years Ended August 31, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fort Wayne Education Association, Inc.
Fort Wayne, Indiana

We have audited the accompanying statements of financial position of Fort Wayne Education Association, Inc. (a nonprofit organization) as of August 31, 2008 and 2007, and the related statements of activities and cash flows 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 Fort Wayne Education Association, Inc. as of August 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Christen Souers

Fort Wayne, Indiana
March 4, 2009

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FORT WAYNE EDUCATION ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash	\$ 92,944	\$ 86,132
Accounts receivable - ISTA	<u>1,831</u>	<u>2,452</u>
Total Current Assets	<u>94,775</u>	<u>88,584</u>
EQUIPMENT		
Less: Accumulated depreciation	<u>16,881</u>	<u>16,655</u>
Net Equipment	<u>14,538</u>	<u>13,660</u>
	<u>2,343</u>	<u>2,995</u>
TOTAL ASSETS	<u><u>\$ 97,118</u></u>	<u><u>\$ 91,579</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 970	\$ 6,677
Accrued payroll taxes	<u>56</u>	<u></u>
Total Current Liabilities	<u>1,026</u>	<u>6,677</u>
NET ASSETS		
Unrestricted	95,295	84,105
Temporarily restricted	797	797
Permanently restricted	<u>0</u>	<u>0</u>
Total Net Assets	<u>96,092</u>	<u>84,902</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 97,118</u></u>	<u><u>\$ 91,579</u></u>

See Notes to Financial Statements.

FORT WAYNE EDUCATION ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended August 31, 2008 and 2007

	<u>2008</u>				<u>2007</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES								
Membership dues	\$ 126,402	\$	\$	\$ 126,402	\$ 119,001	\$	\$	\$ 119,001
ISTA revenue sharing	4,872			4,872	4,506			4,506
ISTA expense reimbursements	22,737			22,737	2,452			2,452
ISTA grant	1,552			1,552	1,502			1,502
Miscellaneous income	184			184	353			353
Interest income	738			738	732			732
Net assets released from restrictions:								
Restrictions satisfied by payments					600	(600)		
Total Revenues	<u>156,485</u>	<u>0</u>	<u>0</u>	<u>156,485</u>	<u>129,146</u>	<u>(600)</u>	<u>0</u>	<u>128,546</u>
EXPENSES								
Program Services								
Teachers	131,140			131,140	112,644			112,644
Supporting Services								
Management and general	14,155			14,155	15,488			15,488
Total Expenses	<u>145,295</u>	<u>0</u>	<u>0</u>	<u>145,295</u>	<u>128,132</u>	<u>0</u>	<u>0</u>	<u>128,132</u>
CHANGE IN NET ASSETS	11,190	0	0	11,190	1,014	(600)	0	414
NET ASSETS - BEGINNING OF YEAR - RESTATED	<u>84,105</u>	<u>797</u>	<u>0</u>	<u>84,902</u>	<u>83,091</u>	<u>1,397</u>	<u>0</u>	<u>84,488</u>
NET ASSETS - END OF YEAR	<u>\$ 95,295</u>	<u>\$ 797</u>	<u>\$ 0</u>	<u>\$ 96,092</u>	<u>\$ 84,105</u>	<u>\$ 797</u>	<u>\$ 0</u>	<u>\$ 84,902</u>

See Notes to Financial Statements.

FORT WAYNE EDUCATION ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended August 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from teachers	\$ 126,402	\$ 119,001
Cash received from ISTA	29,182	9,092
Interest received	738	732
Cash paid to suppliers and employees	(149,191)	(124,282)
Miscellaneous income	<u>184</u>	<u>353</u>
Net Cash Provided by Operating Activities	<u>7,315</u>	<u>4,896</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(503)</u>	<u>0</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,812	4,896
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>86,132</u>	<u>81,236</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 92,944</u>	<u>\$ 86,132</u>
CHANGE IN NET ASSETS	\$ 11,190	\$ 414
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	1,155	2,250
(Increase) Decrease in Current Assets:		
Accounts receivable - related parties	621	632
Increase (Decrease) in Current Liabilities:		
Accounts payable	(5,707)	1,600
Accrued expenses	<u>56</u>	<u></u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 7,315</u>	<u>\$ 4,896</u>

Notes to Financial Statements.

FORT WAYNE EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Fort Wayne Education Association, Inc. (FWEA), is the exclusive representative for teachers in the Fort Wayne Community School system and has been granted tax exempt status by the Internal Revenue Service under Internal Revenue Code Section 501(c)(6). Dues are received from each of its members.

Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Equipment - Equipment owned by the Organization is carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of the assets. Depreciation charged to the accounts in 2008 and 2007 was \$1,155 and \$2,250, respectively.

Expenditures for major additions and betterments that extend the useful lives of property and equipment are capitalized if the individual item is over \$500. Expenditures for maintenance and repairs are charged to expense as incurred.

Related Organizations - Fort Wayne Education Association, Inc. (FWEA) is a member of the Indiana State Teachers Association (ISTA) and the National Education Association (NEA). ISTA shares local office space with FWEA. They have also loaned FWEA the use of a copier and a fax machine. There is no charge to FWEA for any of these items. ISTA also has employees who perform office duties for FWEA. This service is provided free of charge to FWEA.

FWEA in turn, collects dues from teachers for ISTA and NEA. The amount collected in 2008 and 2007 of \$977,788 and \$906,345 was remitted to ISTA and NEA by August 31, 2008 and 2007, respectively. As of August 31, 2008, ISTA owed FWEA \$439 for the overpayment of dues remitted.

ISTA also reimburses FWEA for various expenses. This reimbursement amounted to \$22,737 for 2008 and \$2,452 for 2007. As of August 31, 2008 and 2007, ISTA owed FWEA \$1,392 and \$2,452, respectively, for expenses incurred but not yet reimbursed.

The Organization also received a grant from ISTA for the Read Across America program for \$1,552 in 2008 and \$1,502 in 2007.

The Organization receives income based on teacher memberships from ISTA for supplies, postage, and paper. The revenue from this in 2008 and 2007 was \$4,872 and \$4,506, respectively. Also see Note B regarding these funds.

Use of Estimates - Management 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.

FORT WAYNE EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue and Support - Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction is met in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and other changes in net assets as net assets released from restriction.

Expense Allocation - The costs of providing the program and other activities have been summarized on a functional basis in the Schedules of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Program and Supporting Services - The following program and supporting services are included in the accompanying financial statements:

Teachers - Provide bargaining representation and services for teachers to protect and enhance employment.

Management and General - Includes the functions necessary for the management and overall direction of the Organization.

Costs directly benefiting a program are charged to that program. Management and general costs are those administrative expenses not directly related to the program.

Credit Risk - The Organization does not require collateral or other security to support the financial instruments subject to credit risk.

Donated Services - A substantial portion of the Organization's activities is conducted by unpaid volunteer officers and committees. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition under SFAS No. 116, Accounting for Contributions Received and Contributions Made.

Restatement - The Organization switched to the accrual basis for financial statement purposes in 2008 to better reflect their records. The beginning balance for unrestricted net assets for 2007 was restated to reflect unrecorded accounts receivable of \$3,084 and accounts payable of \$5,077, changing the balance from \$86,481 to \$84,488. The 2007 financial statements were restated to record ending accounts receivable of \$2,452, accounts payable of \$6,677 and to reverse the receivables and payables from 2006. The net change to the change in unrestricted net assets from the original audit for 2007 was a decrease of \$2,232.

FORT WAYNE EDUCATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B--BOARD RESTRICTED FUNDS

The board receives money from ISTA for reimbursement of supplies, postage, paper and program expenses. During 2007, the Organization received \$4,506. Expenses actually paid for 2007 were \$6,199. The board has discretionary control of the money not spent, but has restricted it for future expenses. As of August 31, 2007, the balance of the revenue sharing account was overspent by \$2,497. This money was approved by the board to be absorbed by the budget. In 2008, the board changed its policy and switched these funds to be part of the regular budget. The reimbursement money is now part of the income and the expenses are part of the regular budget and are to be approved for any over-expenditures.

In March 2004, the board passed a motion to set aside \$10,000 of savings to set up the Marvin Ross Defense Fund to be used for teachers' arbitration, grievance and defense. In 2007, an additional \$7,311 was added to the fund. The balance as of August 31, 2008 and 2007 was \$12,370 and \$9,677, respectively.

NOTE C--RESTRICTIONS ON NET ASSETS

The Organization had temporarily restricted net assets at August 31, 2008 and 2007 of \$797 that was restricted for training.

NOTE D--OPERATING LEASE

The Organization leases equipment under a non-cancelable five year operating lease expiring July 2011. The following is a schedule by years of future minimum rentals under this lease as of August 31, 2008:

<u>Year Ending</u> <u>August 31</u>	<u>Amount</u>
2009	\$ 648
2010	648
2011	<u>648</u>
	<u>\$1,944</u>

The Organization also leases storage space under a one year lease. Total rent expense for these leases for 2008 and 2007 was \$848 and \$758, respectively.

SUPPLEMENTARY INFORMATION

FORT WAYNE EDUCATION ASSOCIATION, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
Years Ended August 31, 2008 and 2007

	2008			2007		
	Teachers	Management and General	Total	Teachers	Management and General	Total
President's salary	\$ 74,359	\$	\$ 74,359	\$ 70,909	\$	\$ 70,909
Other salary	15,000		15,000			
Payroll taxes	1,393		1,393			
President's expenses	4,290		4,290	3,273		3,273
President's mileage expenses	1,730		1,730	1,770		1,770
Accounting fees		5,376	5,376		4,795	4,795
Bargaining team	1,768		1,768	2,389		2,389
Computer expenses		135	135		239	239
Contingency fund	242		242			
Depreciation		1,155	1,155		2,250	2,250
Equipment insurance		911	911		775	775
Executive board stipends		1,300	1,300		1,300	1,300
Executive board planning & development		325	325			
Flowers and cards	97		97	383		383
FWEA representative assembly	2,590		2,590	1,998		1,998
Internet access				239		239
ISTA representative assembly	1,100		1,100	1,200		1,200
ISTA summer leader conference				368		368
Legal and arbitration defense	600		600	1,375		1,375

See Notes to Financial Statements.

FORT WAYNE EDUCATION ASSOCIATION, INC.
SCHEDULES OF FUNCTIONAL EXPENSES (Continued)
Years Ended August 31, 2008 and 2007

	<u>2008</u>			<u>2007</u>		
	<u>Teachers</u>	<u>Management and General</u>	<u>Total</u>	<u>Teachers</u>	<u>Management and General</u>	<u>Total</u>
Maintenance and service		154	154		89	89
Member recognition	314		314	418		418
Membership committee	5,755		5,755	5,885		5,885
National Council for Urban Education Association	1,300		1,300	1,300		1,300
NEA grant training				600		600
NEA representative assembly	11,660		11,660	11,183		11,183
Parking expense	678		678	820		820
Postage and messenger service	2,909		2,909	2,806		2,806
Professional literature and memberships	314		314	548		548
Property taxes		19	19		26	26
Read Across America	2,541		2,541	2,779		2,779
Supplies		4,195	4,195		5,444	5,444
Special projects				500		500
Special training and conferences	2,500		2,500	1,901		1,901
Treasurer's dues		585	585		570	570
Total Functional Expenses	<u>\$ 131,140</u>	<u>\$ 14,155</u>	<u>\$ 145,295</u>	<u>\$ 112,644</u>	<u>\$ 15,488</u>	<u>\$ 128,132</u>

See Notes to Financial Statements.