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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Labor and Employment Relations Association
121 ILIR Building, 504 East Armory Avenue
Champaign, Illinois 61820

I have audited the accompanying statements of financial position of the Labor and Employment Relations Association (a nonprofit organization), State of Illinois, as of December 31, 2007 and 2006, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Labor and Employment Relations Association as of December 31, 2007 and 2006, 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.

Stan Feller, CPA
Champaign, Illinois
April 29, 2008



LABOR AND EMPLOYMENT RELATIONS ASSOCIATION

STATEMENT OF FINANCIAL POSITION
December 31, 2007 and 2006

ASSETS	2007	2006
Current Assets		
Cash and Certificate of Deposit	\$ 309,756	\$ 487,496
Accounts Receivable - Net	124,976	55,415
Grants Receivable	0	15,330
Prepaid Expenses	27,315	4,100
Inventory	18,784	13,047
Accrued Interest Receivable	<u>455</u>	<u>4,214</u>
Total Current Assets	<u>481,286</u>	<u>579,602</u>
Property and Equipment	13,781	18,179
Less: Accumulated Depreciation	<u>(9,803)</u>	<u>(14,604)</u>
Net Property and Equipment	<u>3,978</u>	<u>3,575</u>
 TOTAL ASSETS	 <u>\$ 485,264</u>	 <u>\$ 583,177</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 3,664	\$ 32,318
Accounts Payable to UCIRHRP	6,145	7,533
Accrued Liabilities	15,569	8,270
Dues Collected in Advance	108,351	86,469
Subscriptions Collected in Advance	16,358	24,856
Deferred Convention Expense	2,550	6,450
Eaton Memorial Scholarship Receipts	46,133	46,575
Kochan-Sleigh Award Receipts	37,973	19,135
Deferred Grant, Contribution Income	<u>11,115</u>	<u>56,488</u>
Total Current Liabilities	<u>247,858</u>	<u>288,094</u>
Net Assets		
Temporarily Restricted	0	0
Unrestricted		
Operating	237,406	295,083
Total Net Assets	<u>237,406</u>	<u>295,083</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 485,264</u>	<u>\$ 583,177</u>

The accompanying notes are an integral part of these financial statements

LABOR AND EMPLOYMENT RELATIONS ASSOCIATION

STATEMENT OF ACTIVITIES
Years Ended December 31, 2007 and 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Other Support						
Membership Dues	\$ 137,852		\$ 137,852	\$ 163,320		\$ 163,320
Subscriptions	29,471		29,471	38,501		38,501
Chapter Fees	6,425		6,425	9,508		9,508
Publications	2,337		2,337	818		818
Advertising	1,213		1,213	1,490		1,490
Mailing List Rental	3,175		3,175	5,383		5,383
Royalties	12,979		12,979	9,965		9,965
Meeting Income	99,196		99,196	26,572		26,572
Interest Income	14,975		14,975	13,166		13,166
Member Contributions	21,296		21,296	17,135		17,135
Administrative Fees	2,349		2,349	3,831		3,831
Contributions						
GE Contributions		0	0		0	0
FMCS Grant		32,722	32,722		53,047	53,047
Sloan Grant		45,373	45,373		121,612	121,612
Restrictions satisfied	78,095	-78,095	0	174,659	-174,659	0
Total Revenues, Gains and Other Support	409,363	0	409,363	464,348	0	464,348
Expenses and Losses						
Program Services						
General	206,013		206,013	138,813		138,813
Meetings	82,724		82,724	43,705		43,705
Publications	61,346		61,346	72,280		72,280
Grant Expenses						
Sloan Grant Expense - See Note 5	42,992		42,992	121,612		121,612
GE Contributions - See Note 4	0	0	0	0	0	0
FMCS Grant Expense -See Note 6	32,722		32,722	53,047		53,047
Supporting Services						
Management and General	30,812		30,812	16,631		16,631
Membership Development	10,431		10,431	30,824		30,824
Total Expenses and Losses	467,040		467,040	476,912		476,912
Change in Net Assets	-57,677		-57,677	-12,564		-12,564
Net Assets at Beginning of Year	295,083		295,083	307,647		307,647
Net Assets at End of Year	\$ 237,406	\$ 237,406	\$ 237,406	\$ 295,083	\$ 295,083	\$ 295,083

The accompanying notes are an integral part of these financial statements.

Page 3

LABOR AND EMPLOYMENT RELATIONS ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007

	MEETINGS					GRANTS/CONTRIBUTIONS					PUBLICATIONS				SUPPORTING SERVICES		
	General	Winter Conference	Regional Meetings	Nurt Policy Forum	Winter Bd Meeting	Spring Bd Meeting	GE Contribution	FNCS Grant	Shan Grant	Annual Proceedings	Perspectives	Research Volume	Directory & Newsletter	Management & General	Membership Development	Totals	
Compensation	156,734						8,570	4,042								169,346	
Payroll taxes & fringes	49,279						2,757	1,375						1,218		53,411	
Depreciation														3,051		1,219	
Insurance														3,051		3,051	
Travel expenses														400		23,070	
Bank charges														400		23,070	
Promotion		6,848		9,763			21,056	2,911							3,574	24,073	
Fulfillment								3,888								13,180	
Postage and freight																1,720	
Accounting/auditing																4,855	
Printing, production		970		482				7,016	388	15,559	10,038	7,052				42,155	
Postage		2,024		409				1,761	323	7,156	5,425	7,052				27,720	
Other public costs		23,893		17,038	3,884	1,000		11,200	3,154		940	5,200				46,785	
Meals		1,108		10,396				1,000	529							12,033	
Travel		2,483		2,221	173	52	339	1,350								6,618	
Other meeting expenses																	
Shan Grant Overhead								6,806								6,806	
Education																	
Computer & label supplies																784	
Printing																3,839	
Student and member awards																1,865	
Fundraising expense															1,543	1,543	
Duplicating Expense															3,872	3,872	
Telephone and FAX															571	571	
Chapter expenses															1,855	1,855	
Other															816	816	
Other committee expenses															1,285	1,285	
Miscellaneous office															626	626	
	206,013	37,326	0	40,319	4,027	1,052	0	32,722	42,992	24,496	16,863	15,537	30,812	10,431	467,040		

The accompanying notes are an integral part of these financial statements.
Page 4

LABOR AND EMPLOYMENT RELATIONS ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2006

	MEETINGS			GRANTS/CONTRIBUTIONS				PUBLICATIONS			SUPPORTING SERVICES			Totals
	Winter Conference	Natl Policy Forum	Winter Bd Meeting	Spring Bd Meeting	GE Contibts	FMCS Grant	Stann Grant	Annual Proceedings	Respective	Research Volume	Directory & Newsletter	Management & General	Membership Development	
General	102,706													170,800
Compensation	36,107				18,489	48,605								53,648
Payroll taxes & fringes					1,513	16,029								1,365
Depreciation												1,365		3,070
Insurance														33,329
Industry Research					26,403	6,926								363
Bank Charges					60	3,868								19,305
Promotion	6,736				18	1,000							8,683	12,289
Fulfillment														2,746
Postage and freight														3,025
Accounting/auditing	1,234						3,157	2,455	18,739	8,643	4,405			38,633
Printing, production	556	81					1,191	1,560	2,720	2,461	5,079			13,946
Postage							6,929	6,164	7,512	6,114	4,226			32,347
Other public costs														0
Office supplies														0
Office expense														7
FMCS Grant (Expense)							7							0
Stann Grant (Expense)							15,862							-15,862
Stann Grant (Overhead)	24,034	112	2,094	2,428			224	15,000						43,882
Meals, Receptions	1,756	159					4,275	639						6,829
Travel	3,505	939	73	8			54							5,509
Other meeting expenses														90
Education														4,900
Computer supplies/svc							420	1,335						3,145
Office supplies							708							3,664
Student and member awards														3,624
Fundraising expense														17,191
Telephone, Fax														1,853
Chapter expenses														920
Dues														645
Printing														643
Other committee expenses							17							406
Miscellaneous office														1,092
	138,813	37,821	1,291	2,157	2,436	0	53,047	121,612	10,179	28,971	19,418	13,712	16,631	30,824
														476,912

The accompanying notes are an integral part of these financial statements.

LABOR AND EMPLOYMENT RELATIONS ASSOCIATION

STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006**CASH FLOWS FROM OPERATING ACTIVITIES**

	2007	2006
Change in Net Assets	\$ (57,677)	\$ (12,564)
Adjustments to Reconcile Change In Net Assets to Net Cash		
Cash Flows from Operating Activities		
(Increase) or Decrease in Operating Assets:		
Cash Disbursed for general undesignated offerings	(69,561)	(12,077)
Cash Received from restricted grant contributions	15,330	111,331
Cash Disbursed for Prepaid Expenses	(23,215)	(322)
Cash Disbursed for Inventory	(5,737)	(6,158)
Cash Received from Interest Income	3,759	(1,706)
Increase (Decrease) in Operating Liabilities		
Cash Disbursed for general undesignated offerings	(15,546)	(12,434)
Cash Received from general undesignated offerings	7,299	39,230
Cash Received for general supporting and fundraising expense	21,882	13,562
Cash Disbursed for general supporting and fundraising expense	(8,498)	14,001
Cash Disbursed for restricted contributions	<u>(45,373)</u>	<u>(121,613)</u>
Net Cash Provided by Operating Activities	(177,337)	11,250
Cash Flows from Investing Activities		
Depreciation	1,218	1,365
Loss on stolen fixed asset	761	0
Payments for Property and Equipment	<u>(2,382)</u>	<u>0</u>
Net Cash Provided by Investing Activities	(403)	1,365
Net Increase (Decrease) in cash and cash equivalents	(177,740)	12,615
Cash and short-term Investments:		
Beginning of Year	<u>487,496</u>	<u>474,881</u>
End of Year	<u>\$ 309,756</u>	<u>\$ 487,496</u>

The accompanying notes are an integral part of these statements.

**LABOR AND EMPLOYMENT RELATIONS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

The Labor and Employment Relations Association (LERA) was founded in 1947 to encourage research in all aspects of the field of labor, employment, and the workplace. It is a non-profit scholarly association of academic, labor, business and neutral communities committed to the full discussion and exchange of ideas between and among its broad constituencies through meetings, publications, and its various electronic listservs and websites. The LERA National Office is located in Champaign, Illinois and serves the association by planning conferences and meetings, and publishing the various research of its members.

Basis of Accounting

The financial statements of the Association are presented using the accrual basis of accounting.

Contributed Services

During the years ended December 31, 2007 and 2006, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is provided using the straight-line method over an estimated five to seven year useful life. Beginning in 2005, LERA decided to follow the practice of the University of Illinois to expense any items purchased costing less than \$500.

**LABOR AND EMPLOYMENT RELATIONS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Financial Statement Presentation

The Association has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Associations." Under SFAS No. 117 the Association is required to report information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets. As permitted by the statement, the Association does not use fund accounting.

Organization Name Change

Effective January 6, 2005, the organization's constitution and bylaws were changed to denote the name change to Labor and Employment Relations Association. The new name was ratified and approved at the executive board meeting on January 6, 2005, in compliance with a general membership vote by mail in June, 2004.

Contributions

The Association also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence or nature of any donor restrictions.

Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Income Taxes

The Association is a not-for-profit Association that is exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code, and is classified by the Internal Revenue Service as other than a private foundation.

Investments

The Association does not have any investments in marketable securities.

**LABOR AND EMPLOYMENT RELATIONS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of twelve months or less to be cash equivalents. Cash investments held at seven financial institutions exceeded the \$100,000 FDIC insurance limits by a total of \$8,280 at December 31, 2007 and by \$12,622 at December 31, 2006.

Inventory

The Association's inventory of directories, research volumes, proceedings and perspective magazines is carried at the lower of cost or market value.

Membership Dues and Advance Subscriptions Collected

Beginning in September 2006, membership dues and subscriptions are assessed and recognized into income on a rolling 12-month basis. Dues paid over one year in advance are not recognized into income until the twelve-month period they are due. Prior to September 2006, these dues and subscriptions were assessed on a calendar year basis and recognized on an annual accrual basis.

Functional Allocation of Expenses

The costs of providing the 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.

Note 2 – Arrangements with the University of Illinois

The Association moved its offices to the University of Illinois at the end of 1999. Under an arrangement with the University, the employees of the Association are employed by the University. The employees' pension and benefits are part of the University's plans. The Association then reimburses the University quarterly for the cost of the employees.

Note 3 – UCIRHRP servicing arrangement to administer business

On January 3, 2003, the LERA entered into a servicing arrangement to administer the business of the University Council of Industrial Relations and Human Resources Programs (UCIRHRP). These servicing duties include dues notification and collection, annual meeting arrangement and report preparation,

**LABOR AND EMPLOYMENT RELATIONS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 3 – UCIRHRP servicing arrangement to administer business - continued

and maintaining a data base and network communications for this separate organization. A separate financial statement is maintained for this company, but the fund's cash is maintained in LERA's general bank account. The amount of cash belonging to UCIRHRP in the general account is shown on LERA's balance sheet as Due to UCIRHRP. The initial deposit of UCIRHRP funds was wired to LERA on September 22, 2003, at which time the LERA began this servicing arrangement. UCIRHRP's cash balance in LERA's custody was \$6,145 at December 31, 2007, and \$7,533 at December 31, 2006. The LERA is allowed to collect 20% of dues collected each year as an administrative fee.

Note 4 – General Electric (GE) Contributions

On September 2, 2004, the LERA received a \$25,000 contribution, with \$5,000 allocated to its 2005 National Policy Forum (NPF), \$5,000 for the Aerospace Industry Council, and \$15,000 for unspecified uses. The LERA deferred \$5,000 of the contribution to 2007 for Aerospace, recognized as income and allocated \$5,000 to 2005 NPF expenses, and allocated the unspecified portion to 2004 expenses.

On August 27, 2004, the LERA received a \$5,000 separate donation from GE to co-sponsor the 2004 LERA activities within the National Labor Management Conference and additional support for the Aerospace Industry Council. Aerospace Industry Council funds have been deferred for future use, while NLMC co-sponsorship funds received were recognized in 2004.

Note 5 – Alfred P. Sloan Foundation Grant #2003-12-14

On December 13, 2004, the LERA received notification that it was the recipient of a grant for \$387,677 to establish a network of industry councils within the LERA. The grant was received in three installments, with \$147,400 received in January 2004, \$123,900 received in February 2005, and the final payment of \$116,377 received in 2006. The 2006 installment was offset with 2007 expenses totaling \$45,373, which includes overhead charges allowed at 15% and 2006 expenses totaling \$121,612, plus overhead charges of \$18,214. The 2005 installment was offset with 2005 expenses totaling \$91,872, plus overhead charges of \$13,780. The 2004 installment was offset with 2004 expenses totaling \$96,890, plus overhead charges of \$14,534. This leaves \$3,615 of unspent grant funds deferred to 2008 to be expended by February 29, the end of the extended grant period.

**LABOR AND EMPLOYMENT RELATIONS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

Note 6 – Federal Mediation and Conciliation Services Grant #03-CA/I-004

On February 17, 2005, the LERA received notice of its \$125,000 grant application approval by FMCS and additional \$13,889 funds to be provided by MIT and LERA for LERA Airline Industry Council project leadership and management committee meetings. The initial project and budget period of this grant covered October 1, 2003 to September 1, 2006, but was extended in 2006 to cover 2007 expenses through March 31, 2007. \$48,000 in project reimbursement was received from FMCS in 2006. Expenses relating to the grant in 2006 totaled \$53,047. The last reimbursement of \$48,052 for this project was received from FMCS in 2007. Final expenses relating to the grant in 2007 totaled \$32,722. A total of \$125,000 in reimbursements was received by the LERA from FMCS over the course of the project. The grant was closed as of March 31, 2007.

Note 7 – Susan C. Eaton Scholar-Practitioner Memorial Fund

The LERA set up a memorial fund in honor of an author of a 1998 "Perspectives on Work" article and active young LERA member, who died on December 30, 2003. Memorial gifts received were \$1000 in 2007, \$2000 in 2006, \$13,629 in 2005, and \$36,331 in 2004. At its June 1, 2004 meeting, the LERA approved the establishment of an annual Susan C. Eaton Scholar-Practitioner award and grant, to be paid to one or more worthy persons. At its January 6, 2005 meeting, the Board directed that the LERA collect 10% of any gifts received each year as an administrative fee for managing the Fund and grant. One award totaling \$3,000 was paid in January 2007 and two awards totaling \$3,000 were paid in January 2006. Including interest earned and paid to the account, \$46,133 has been deferred to future years for future annual award payments.

Note 8 – Kochan-Sleigh Best Dissertation Award Fund

On March 27, 2006, the LERA set up a temporarily restricted fund with contributions from a member and matching contributions from General Electric. The fund is restricted for a minimum of fifteen years, when only interest income may be used from the fund to pay for the \$1,000 annual best dissertation award. After the fifteen-year period, the principle amount remaining is to be released and become available to LERA for unrestricted purposes. The contributor made additional start up contributions of \$1,000 each in 2006 and 2007 to cover the award for the first two years before the fund is fully funded. A total of \$21,000

**LABOR AND EMPLOYMENT RELATIONS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

of member and matching contributions was received in 2007 and a total of \$21,000 of member and matching contributions was received as of December 31, 2006. Two best dissertation awards totaling \$1,000 were granted in 2007. According to the terms of the award document and pursuant to a vote of the Executive Board in 2005, the LERA is to collect 10% of annual contributions as a one-time service fee to help cover the LERA costs to administer this award. Including interest earned and paid to the account as of December 31, 2007, \$37,973 has been deferred to future years for future annual awards.

Note 9 – Campaign Drive

To help ensure the financial stability of the organization, the LERA Board of Directors established a Development Committee on January 1, 2004 to begin its work raising money from the membership and supporting organizations. Beginning in 2006, LERA kicked off its campaign drive, where the executive board agreed to establish its formal campaign goal of \$1,500,000 to be raised over a three year period beginning January, 2007, the start of its campaign. The campaign goal is inclusive of all grants pledged and contributions given to the LERA since 2004. Total related expenses in 2007 and 2006 for this effort were \$3,872 and work \$17,191, respectively.