

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**

**REPORT ON FINANCIAL STATEMENTS  
(with supplementary information)**

**YEAR ENDED JUNE 30, 2022  
(with comparative totals for the  
year ended June 30, 2021)**



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## **INDEPENDENT AUDITOR'S REPORT**

Executive Board  
Michigan Association of School Boards, Inc.

### **Opinion**

We have audited the accompanying financial statements of Michigan Association of School Boards, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year ended June 30, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Association of School Boards, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year ended June 30, 2022 in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Michigan Association of School Boards, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Michigan Association of School Boards, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Michigan Association of School Boards, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Michigan Association of School Boards, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited Michigan Association of School Boards, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2021. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Maney Costeiran PC*

January 12, 2023

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents and restricted cash	\$ 1,280,736	\$ 1,426,065
Investments	5,095,520	5,956,706
Accounts receivable, less allowance of \$11,000 and \$5,800 in 2022 and 2021, respectively	557,590	284,548
Prepaid expenses and deposits	91,383	123,122
Total current assets	7,025,229	7,790,441
Property and equipment, less accumulated depreciation	406,687	269,563
Long-term investments - LTF	598,149	702,933
Deferred compensation	109,875	99,784
Investment in MELG	1,372,241	1,430,709
<b>TOTAL ASSETS</b>	<b>\$ 9,512,181</b>	<b>\$ 10,293,430</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 340,007	\$ 72,336
Accrued payroll and related items	212,750	266,713
Deferred revenue	752,381	581,684
Total current liabilities	1,305,138	920,733
Deferred compensation	109,875	99,784
Postemployment benefits	39,693	91,763
<b>TOTAL LIABILITIES</b>	<b>1,454,706</b>	<b>1,112,280</b>
<b>NET ASSETS</b>		
Without donor restrictions	7,311,939	8,363,723
With donor restrictions	745,536	817,427
<b>TOTAL NET ASSETS</b>	<b>8,057,475</b>	<b>9,181,150</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,512,181</b>	<b>\$ 10,293,430</b>

See notes to financial statements.

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2022**  
**(with comparative totals for the year ended June 30, 2021)**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUES</b>				
Dues	\$ 2,400,707	\$ 80,262	\$ 2,480,969	\$ 2,471,359
Service fees	1,030,349	-	1,030,349	947,898
Royalty income	577,874	-	577,874	649,784
Publications, products and advertising	60,749	-	60,749	53,064
Conferences, seminars, and CBA fees	583,691	-	583,691	355,557
Sponsorships	88,376	-	88,376	87,571
Affiliates' reimbursements and rent	8,000	-	8,000	-
Investment return, net	(874,562)	(104,540)	(979,102)	1,098,904
Payroll protection program loan forgiveness	-	-	-	375,000
Miscellaneous income	87,811	-	87,811	56,792
Net assets released from restrictions	47,613	(47,613)	-	-
<b>TOTAL REVENUES</b>	<b>4,010,608</b>	<b>(71,891)</b>	<b>3,938,717</b>	<b>6,095,929</b>
<b>EXPENSES</b>				
Governance	449,872	-	449,872	339,338
Communications and public relations	721,223	-	721,223	682,991
Advocacy	563,125	-	563,125	520,610
Leadership services	1,563,704	-	1,563,704	1,172,710
Affiliate members and services	144,892	-	144,892	124,420
Legal, labor, and policy services	691,422	-	691,422	674,402
Management and general	928,154	-	928,154	953,884
<b>TOTAL EXPENSES</b>	<b>5,062,392</b>	<b>-</b>	<b>5,062,392</b>	<b>4,468,355</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,051,784)</b>	<b>(71,891)</b>	<b>(1,123,675)</b>	<b>1,627,574</b>
<b>NET ASSETS, beginning of year</b>	<b>8,363,723</b>	<b>817,427</b>	<b>9,181,150</b>	<b>7,553,576</b>
<b>NET ASSETS, end of year</b>	<b>\$ 7,311,939</b>	<b>\$ 745,536</b>	<b>\$ 8,057,475</b>	<b>\$ 9,181,150</b>

See notes to financial statements.

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**  
**(with comparative totals for the year ended June 30, 2021)**

	2022							Total	2021
	Program Services								
	Governance	Communications and Public Relations	Advocacy	Leadership Services	Affiliate Members and Services	Legal, Labor, and Policy Services	Management and General		
Staff salaries	\$ 231,309	\$ 431,778	\$ 239,020	\$ 539,722	\$ 77,103	\$ 367,525	\$ 419,336	\$ 2,305,793	\$ 2,161,412
Staff fringe benefits and payroll taxes	81,390	151,927	84,103	189,910	27,130	129,320	173,160	836,940	925,835
Contract services	2,795	-	6,387	359,405	-	114,589	7,988	491,164	475,313
Consultants	-	3,450	34,500	-	13,332	-	19,517	70,799	34,508
Fees, dues, and professional services	-	2,681	4,435	15,883	-	1,861	43,878	68,738	58,795
Program and office operating expense	40,056	114,572	43,394	130,007	12,833	65,739	73,909	480,510	445,138
Contributions	-	-	-	-	-	-	1,000	1,000	1,250
NSBA dues	-	-	90,045	-	-	-	-	90,045	78,300
Meetings and conventions	52,802	9,252	7,590	210,772	11,248	-	13,610	305,274	34,044
Travel	37,565	3,070	14,640	90,747	863	6,775	18,450	172,110	37,852
CASBA grants	-	-	38,746	-	-	-	-	38,746	35,954
Support to districts	-	-	-	-	-	5,613	-	5,613	-
Depreciation	-	-	-	-	-	-	97,540	97,540	79,036
Projects and promotions	3,955	4,493	265	27,258	2,383	-	1,298	39,652	49,468
Loss on investment in MELG	-	-	-	-	-	-	58,468	58,468	51,450
<b>TOTAL EXPENSES</b>	<b>\$ 449,872</b>	<b>\$ 721,223</b>	<b>\$ 563,125</b>	<b>\$ 1,563,704</b>	<b>\$ 144,892</b>	<b>\$ 691,422</b>	<b>\$ 928,154</b>	<b>\$ 5,062,392</b>	<b>\$ 4,468,355</b>

See notes to financial statements.



**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash flows from operating activities		
Change in net assets	\$ (1,123,675)	\$ 1,627,574
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Unrealized and realized loss (gain) on investments	1,067,124	(1,038,153)
Loss on investment in MELG	58,468	51,450
Gain on disposal of fixed assets	-	(9,359)
Payroll protection program loan forgiveness	-	(375,000)
Depreciation	97,540	79,036
Accounts receivable	(273,042)	101,531
Prepaid expenses and deposits	31,739	(40,022)
Accounts payable	267,671	(159,296)
Accrued payroll and related items	(106,033)	94,733
Deferred revenue	170,697	210,351
	1,314,164	(1,084,729)
Total adjustments		
Net cash provided by operating activities	190,489	542,845
Cash flows from investing activities		
Purchase of property and equipment	(234,664)	(79,860)
Proceeds from sale of property and equipment	-	29,500
Capital contribution to MELG	-	(133,573)
Sales of managed/mutual funds	3,138,380	2,973,430
Purchases of managed/mutual funds	(3,239,534)	(3,509,573)
	(335,818)	(720,076)
Net cash used by investing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(145,329)	(177,231)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	1,426,065	1,603,296
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year	\$ 1,280,736	\$ 1,426,065

See notes to financial statements.

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Association utilizes the accrual method of accounting which recognizes income when earned and expenses when incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash accounts and money market funds. For the purpose of the statement of cash flows, cash equivalents, and liquid assets maturing no more than three months from date of purchase are considered cash and cash equivalents.

Restricted Cash

The Association reports legal trust fund voluntary dues as restricted support as they are received with stipulations that limit the use of the assets, and long-term investments reported on the balance sheet are derived from these donations as discussed in Note 10.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the statement of financial position as of June 30:

	2022	2021
Cash and cash equivalents	\$ 1,213,690	\$ 1,311,651
Restricted cash for legal trust fund	67,046	114,414
Total cash and cash equivalents and restricted cash	\$ 1,280,736	\$ 1,426,065

Investments

The Association records investments at fair value based on quoted market prices. Investments include managed/mutual funds, common stocks, preferred securities, government securities, and corporate notes and bonds. Net investment return or loss is included in the statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Accounts Receivable

Accounts receivable represent consideration from third parties, of which the Association has an unconditional right to receive. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts as of June 30, 2022 and 2021 was \$11,000 and \$5,800, respectively. Beginning and ending balances for accounts receivable is reported as follows for the years ended June 30:

	2022	2021
Accounts receivable, beginning of year	\$ 284,548	\$ 386,079
Accounts receivable, end of year	\$ 557,590	\$ 284,548

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed over the estimated useful life of the assets on the straight-line method. Costs of repairs and maintenance are charged to expense when incurred. Generally, the Association capitalizes items in excess of \$1,000.

Investment in Michigan Education Leadership Group (MELG) - The Association carries its investment in MELG utilizing the equity method of accounting. MELG is an entity organized by several nonprofit entities to share ownership and operating costs of real estate housing their operations. The expenses related to MELG are included as program and office operating expenses in the statement of activities and changes in net assets and are allocated functionally, as are other occupancy costs, in the functional note disclosure.

Deferred Revenue

The Association records deferred revenue when cash payments are received or due in advance of the Association's performance, including amounts which are refundable. The annual school board dues and assessments are billed in advance to finance operations for the upcoming fiscal year. Those dues and assessments collected prior to June 30 are recorded as deferred revenue and will be recognized as revenue in the subsequent fiscal year. Other deferred revenue includes advance payments for conferences, seminars, and service contracts.

Beginning and ending balances for deferred revenue is reported as follows for the years ended June 30:

	2022	2021
Deferred revenue, beginning of year	\$ 581,684	\$ 371,333
Deferred revenue, end of year	\$ 752,381	\$ 581,684

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Membership Dues Revenue

Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing membership benefits to its members. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term. As a result, deferred revenue and accounts receivable are recorded for any amount for which the Association has a right to invoice but for which services have not been provided. Membership dues are nonrefundable.

Conferences, Services Fees, and Royalty Revenue

Conferences, service fees, and royalty revenue received is not recognized as revenue until the revenue is earned, which is when the activities or services are provided, and the Association does not believe it is required to provide additional activities or services. As a result, deferred revenue and accounts receivable are recorded for any amount for which the Association has a right to invoice but for which services have not been provided.

Sponsorships Revenue

Contributions of cash received without donor stipulations are reported as revenue and net assets without donor restrictions. Sponsorships received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Publications, Product and Advertising Revenue

Publications, product and advertising revenue received is not recognized as revenue until the revenue is earned, which is when the activities or services are provided, and the Association does not believe it is required to provide additional activities or services. As a result, deferred revenue and accounts receivable are recorded for any amount for which the Association has a right to invoice but for which services have not been provided.

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The following schedule shows the Association's revenues disaggregated according to the timing of transfer of goods or services for the years ended June 30:

	2022	2021
Contract revenue recognized at a point in time		
Service fees	\$ 1,030,349	\$ 947,898
Royalty income	577,874	649,784
Publications, products and advertising	60,749	53,064
Conferences, seminars, and CBA fees	583,691	355,557
Total contract revenue recognized at a point in time	2,252,663	2,006,303
Contract revenue recognized over time		
Membership dues	2,480,969	2,471,359
Sponsorships	88,376	87,571
Payroll protection program loan forgiveness	-	375,000
Miscellaneous income	95,811	56,792
Investment return, net	(979,102)	1,098,904
Total revenue	\$ 3,938,717	\$ 6,095,929

Functional Allocation of Expenses

The costs of providing program and other activities have been reported in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Association. Allocated expenses primarily consist of payroll and related and general expenses based on salary and wage analysis and management's estimated use of resources.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* - Net assets available for use in general operations and not subject to donor or grantor restrictions.

*Net Assets with Donor Restrictions* - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purposes has been accomplished (See Note 11).

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes

The Association is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; however, the Association pays unrelated business tax on activities unrelated to the Association's tax-exempt purpose. Taxes on unrelated business income are not material to the financial statements.

Prior Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2021 from which the summarized information was derived.

Reclassifications

Certain 2021 numbers have been reclassified to be in conformity with the current year presentation.

**NOTE 2 - NATURE OF THE ORGANIZATION, RISKS, AND UNCERTAINTIES**

Michigan Association of School Boards, Inc. (the "Association") is a not-for-profit corporation whose purpose is to improve and advance the quality of public education in Michigan through the cooperative efforts of locally elected Boards of Education. The adopted mission of the Association is to provide high quality educational leadership services for all Michigan boards of education and to advocate for an equitable and exceptional public education for all students. The Association also maintains a legal trust fund that provides financial aid to local school boards facing legal issues that have a statewide impact on public school districts in Michigan. The Association receives substantially all of its revenue from members in the State of Michigan.

The Association is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents, investments at fair value and accounts receivable. The Association places its cash and cash equivalents with FDIC insured financial institutions. Although such cash balances exceed the federally insured limits, they are, in the opinion of management, subject to minimal risk. Credit risk with respect to accounts receivable is concentrated within the geographic area but is limited by the large number of customer receivables. Other investments are not covered by FDIC insurance.

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - NATURE OF THE ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)**

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results may differ from these estimates. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among programs and supporting services based on management estimates.

The Association evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through January 12, 2023, which is the date the financial statements were available to be issued.

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

The Association regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing program service activities as well as conduct of service undertaken to support those activities to be general expenditures.

The following reflects the Association's financial assets as of June 30, 2022 and 2021, which are deemed available for general expenditures within one year of the date of the statement of financial position. Amounts not available include amounts set aside for the Legal Trust Fund (see Note 11):

	2022	2021
Cash and cash equivalents	\$ 1,280,736	\$ 1,426,065
Investments	5,693,669	6,659,639
Accounts receivable	557,590	284,548
Total financial assets	7,531,995	8,370,252
Donor-imposed restrictions		
Less purpose restricted funds	(745,536)	(817,427)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,786,459	\$ 7,552,825

In addition to financial assets available to meet general expenditures over the next 12 months, the Association operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INVESTMENTS/FAIR VALUE MEASUREMENTS**

The Association is required to disclose amounts within a framework established 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). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2: Inputs to the valuation methodology include:

- 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;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset'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.

Following is a description of the valuation methodologies used at June 30, 2022 and 2021:

*Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and transact at that price. The mutual funds held by the Association are deemed to be actively traded.

*Common Stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate Bonds and Notes:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*U.S. Government and Preferred Securities:* Valued using pricing models maximizing the use of observable inputs for similar securities.

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, while the Association 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.



**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INVESTMENTS/FAIR VALUE MEASUREMENTS (continued)**

The following is a market value summary by the level of the inputs used, as of June 30, 2022 and 2021, in evaluating the Association's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity funds				
Value index funds	\$ 377,452	\$ -	\$ -	\$ 377,452
Growth index funds	87,480	-	-	87,480
Stock market funds	88,651	-	-	88,651
Fixed income funds				
Income funds	805,615	-	-	805,615
Total mutual funds	1,359,198	-	-	1,359,198
Common stock	2,994,851	-	-	2,994,851
Preferred securities	-	117,704	-	117,704
Government securities	-	463,103	-	463,103
Corporate bonds and notes	-	372,089	-	372,089
Total investments at fair value	<u>\$ 4,354,049</u>	<u>\$ 952,896</u>	<u>\$ -</u>	5,306,945
Money market funds at cost				<u>386,724</u>
Total investments				<u>\$ 5,693,669</u>
The investments are presented in the financial statements as follows:				
Investments				\$ 5,095,520
Long-term investments - LTF				<u>598,149</u>
				<u>\$ 5,693,669</u>

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INVESTMENTS/FAIR VALUE MEASUREMENTS (continued)**

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity funds				
Value index funds	\$ 440,425	\$ -	\$ -	\$ 440,425
Growth index funds	162,888	-	-	162,888
Stock market funds	104,725	-	-	104,725
Fixed income funds				
Income funds	<u>1,142,982</u>	<u>-</u>	<u>-</u>	<u>1,142,982</u>
Total mutual funds	1,851,020	-	-	1,851,020
Common stock	3,576,725	-	-	3,576,725
Preferred securities	-	122,201	-	122,201
Government securities	-	478,356	-	478,356
Corporate bonds and notes	<u>-</u>	<u>426,015</u>	<u>-</u>	<u>426,015</u>
Total investments at fair value	<u>\$ 5,427,745</u>	<u>\$ 1,026,572</u>	<u>\$ -</u>	6,454,317
Money market funds at cost				<u>205,322</u>
Total investments				<u>\$ 6,659,639</u>

The investments are presented in the financial statements as follows:

Investments	\$ 5,956,706
Long-term investments - LTF	<u>702,933</u>
	<u>\$ 6,659,639</u>

Investment return, net for the years ended June 30, 2022 and 2021 consists of the following:

	2022	2021
Interest and dividends	\$ 170,046	\$ 134,089
Net realized and unrealized gains (losses)	(1,067,124)	1,038,153
Less investment fees	<u>(82,024)</u>	<u>(73,338)</u>
	<u>\$ (979,102)</u>	<u>\$ 1,098,904</u>

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - PROPERTY AND EQUIPMENT**

Major classes of property and equipment at June 30, consists of the following:

	<u>2022</u>	<u>2021</u>
Building improvements	\$ 217,939	\$ 193,312
Automobiles	58,278	58,278
Office equipment	774,164	662,525
Software	<u>468,445</u>	<u>370,047</u>
	1,518,826	1,284,162
Less accumulated depreciation	<u>(1,112,139)</u>	<u>(1,014,599)</u>
Net property and equipment	<u>\$ 406,687</u>	<u>\$ 269,563</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$97,540 and \$79,036, respectively.

**NOTE 6 - INVESTMENT IN MELG**

The Association has invested in the Michigan Education Leadership Group (MELG). MELG is a 501(c)(2) organization, organized exclusively to own and operate property used to house the operations of the Michigan Association of School Boards and three other education related non-profit organizations who are also investors. The governing body of MELG is comprised of a Board of Directors with representatives from each of the four organizations, with each having one vote. The Association's interest in MELG is approximately 47%.

The investors of MELG reimburse MELG for all operating expenses in relation to the building based on the investor's ownership percentage and usage. The Association reimburses MELG for building expenses during the year. This amounted to \$71,744 and \$90,794 for the years ended June 30, 2022 and 2021, respectively.

For the years ended June 30, 2022 and 2021, the Association provided funds in the amount of \$0 and \$14,190, respectively, to MELG for possible capital expenditures that could occur in the future. In addition, the Association contributed capital to MELG in the amount of \$0 and \$133,573 for the years ended June 30, 2022 and 2021, respectively, to provide funding for MELG's building remodel. The Association has miscellaneous accounts payable to MELG of \$11,529 and \$3,450 at June 30, 2022 and 2021, respectively.

The following is a summary of financial position and results of operations of MELG for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 4,243,866	\$ 4,386,855
Net assets	4,211,435	4,364,421
Revenue and capital contribution	168,267	1,548,432
Change in net assets	(152,986)	1,263,798

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - DEFERRED REVENUE**

A summary of deferred revenue at June 30, 2022 and 2021 is as follows:

	2022	2021
Membership dues	\$ 462,134	\$ 409,380
Exhibit services	10,160	-
Employment relations information network (ERIN)	83,836	9,298
VIP dues	4,551	5,397
Conferences and other	191,700	157,609
Total deferred revenue	\$ 752,381	\$ 581,684

**NOTE 8 - DEFERRED COMPENSATION**

The Association sponsors a nonqualified 457(b) deferred compensation plan. The plan covers a select “top-hat” group of employees which currently includes only the executive director’s position. Amounts contributed by the Association under the plan are equal to 10% of base annual salary for both 2022 and 2021. The amounts contributed to the plan for the years ended June 30, 2022 and 2021 totaled \$22,145 and \$20,950, respectively.

All amounts of compensation deferred by the employee or contributed by the Association under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are, until made available to the employees or other beneficiaries, solely the property and rights of the Association without being restricted to the provisions of benefits under the plan and are thus subject to the claims of the Association’s general creditors. Participants’ rights created under the plan are equivalent to those of general creditors of the Association.

The Association’s liability to the participants is equal to the participants’ deferred compensation, Association contribution, adjusted by an amount equal to the investment performance in a related asset account. The related asset accounts are recorded at market value, which is equal to the liability to the plan participant. In the past, the related asset accounts have been used for no purpose other than to pay benefits. In addition, the Association believes it is unlikely it will use such assets to satisfy the claims of general creditors in the future.

**NOTE 9 - RETIREMENT PLAN AND POSTRETIREMENT BENEFITS**

The Association sponsors a defined contribution retirement plan for all employees who meet specified requirements. The Association contributes an amount equal to 12% of annual wages to all employees participating in the plan. Retirement costs for the years ended June 30, 2022 and 2021 amounted to \$276,040 and \$267,528, respectively.

The Association also provides certain postretirement benefits for retired employees. Eligible retirees who are age 55 to 65 receive \$1,200 to \$3,000 per year toward healthcare insurance premiums. The estimated liability for benefits earned as of June 30, 2022 and 2021 was \$39,693 and \$91,763, respectively, using a blended discount rate of 1% to 3.5%.

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - RETIREMENT PLAN AND POSTRETIREMENT BENEFITS (continued)**

Effective June 30, 2020, the Board of Directors amended the eligibility requirements of the plan, hence reducing the number of eligible employees covered under the plan causing a \$82,648 reduction to the plan benefits. The reduction was recorded as a curtailment gain reducing the postretirement benefit expense for the year ended June 30, 2020. In 2022 management reexamined the postretirement benefits liability and a further write-down of \$28,366 was recorded for the year ended June 30, 2022, based upon recent experience, employee turnover, and updated U.S. Bureau of Labor Statistics employee tenure data.

**NOTE 10 - LEGAL TRUST FUND**

The Association maintains a legal trust fund established by the members of the Association. The purpose of the fund is to provide financial assistance concerning legal matters to members of the fund. Revenues and net assets are recorded as net assets with restrictions. Charges to the fund for legal assistance from the Association for the years ending June 30, 2022 and 2021 amounted to \$42,000 and \$42,000, respectively.

As of June 30, 2022 and 2021, the legal trust fund has a conditional commitment to provide financial assistance to members in amounts up to approximately \$70,000 and \$60,000, respectively. The Association reports legal trust fund voluntary dues as restricted support as they are received with stipulations that limit the use of the assets. The long-term investments reported on the balance sheet are derived from these donations.

**NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2022	2021
Subject or expenditure for specified purpose		
Legal Trust Fund	\$ 745,536	\$ 817,427

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	2022	2021
Satisfaction of purpose restrictions		
Legal Trust Fund	\$ 47,613	\$ 42,000

**NOTE 12 - PAYROLL PROTECTION PROGRAM LOAN FORGIVENESS**

On April 23, 2020 the Association received \$375,000 as a loan under the CARES Act through the Paycheck Protection Program. The loan is potentially forgivable, to the extent the Association uses the funds on eligible expenses, in addition to other requirements, over the 24-week period following the date of the loan. Eligible expenses include payroll, mortgage interest, lease payments and utility payments. Any portion of the loan not forgiven is to be paid back over 5 years, with interest accruing at 1%. In January 2021, the Association was notified their loan was fully forgiven, as they have expended the funds on eligible expenses. Accordingly, the Association has recorded the \$375,000 as revenue for the year ended June 30, 2021.

## **SUPPLEMENTARY INFORMATION**

**MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.**  
**SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	<u>Governance</u>	<u>Communications and Public Relations</u>	<u>Advocacy</u>	<u>Leadership Services</u>	<u>Affiliate Members and Services</u>	<u>Legal, Labor, and Policy Services</u>	<u>Management and General</u>	<u>Total</u>
Revenues	\$ -	\$ 52,491	\$ 7,140	\$ 1,171,334	\$ 875,497	\$ 222,256	\$ 1,609,999	\$ 3,938,717
Expenses	<u>(449,872)</u>	<u>(721,223)</u>	<u>(563,125)</u>	<u>(1,563,704)</u>	<u>(144,892)</u>	<u>(691,422)</u>	<u>(928,154)</u>	<u>(5,062,392)</u>
Excess of revenues (under) over expenses	<u>\$ (449,872)</u>	<u>\$ (668,732)</u>	<u>\$ (555,985)</u>	<u>\$ (392,370)</u>	<u>\$ 730,605</u>	<u>\$ (469,166)</u>	<u>\$ 681,845</u>	<u>\$ (1,123,675)</u>