

MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.

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

**YEAR ENDED JUNE 30, 2023
(with comparative totals for the
year ended June 30, 2022)**



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INDEPENDENT AUDITOR'S REPORT

To the Executive Board of
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 statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year ended June 30, 2023, 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, 2023, and the changes in its net assets and its cash flows for the year ended June 30, 2023 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 12, 2023. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2022, 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

October 23, 2023

MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(with comparative totals for June 30, 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents and restricted cash	\$ 1,471,305	\$ 1,280,736
Investments	5,485,102	5,095,520
Accounts receivable, less allowance of \$57,900 and \$11,000 in 2023 and 2022, respectively	604,485	557,590
Prepaid expenses and deposits	196,961	91,383
Total current assets	7,757,853	7,025,229
Property and equipment, less accumulated depreciation	691,368	406,687
Long-term investments - LTF	654,541	598,149
Deferred compensation	136,098	109,875
Investment in MELG	1,335,600	1,372,241
TOTAL ASSETS	\$ 10,575,460	\$ 9,512,181
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 550,026	\$ 340,007
Accrued payroll and related items	182,867	212,750
Deferred revenue	729,940	752,381
Total current liabilities	1,462,833	1,305,138
Deferred compensation	136,098	109,875
Postemployment benefits	40,118	39,693
TOTAL LIABILITIES	1,639,049	1,454,706
NET ASSETS		
Without donor restrictions	8,118,118	7,311,939
With donor restrictions	818,293	745,536
TOTAL NET ASSETS	8,936,411	8,057,475
TOTAL LIABILITIES AND NET ASSETS	\$ 10,575,460	\$ 9,512,181

See notes to financial statements.

MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023
(with comparative totals for the year ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES				
Dues	\$ 2,472,339	\$ 76,715	\$ 2,549,054	\$ 2,480,969
Service fees	1,163,616	-	1,163,616	1,030,349
Royalty income	1,136,890	-	1,136,890	577,874
Publications, products and advertising	88,115	-	88,115	60,749
Conferences, seminars, and CBA fees	894,397	-	894,397	583,691
Sponsorships	97,954	-	97,954	88,376
Affiliates' reimbursements and rent	30,408	-	30,408	8,000
Investment return, net	414,620	56,928	471,548	(979,102)
Loss on investment in MELG	(51,450)	-	(51,450)	(58,468)
Miscellaneous income	100,350	-	100,350	87,811
Net assets released from restrictions	60,886	(60,886)	-	-
TOTAL REVENUES	6,408,125	72,757	6,480,882	3,880,249
EXPENSES				
Governance	494,429	-	494,429	449,872
Communications and public relations	741,076	-	741,076	721,223
Advocacy	618,889	-	618,889	563,125
Leadership services	1,573,758	-	1,573,758	1,563,704
Affiliate members and services	143,597	-	143,597	144,892
Legal, labor, and policy services	759,914	-	759,914	691,422
Management and general	971,029	-	971,029	869,686
Technology and business services	299,254	-	299,254	-
TOTAL EXPENSES	5,601,946	-	5,601,946	5,003,924
CHANGE IN NET ASSETS	806,179	72,757	878,936	(1,123,675)
NET ASSETS, beginning of year	7,311,939	745,536	8,057,475	9,181,150
NET ASSETS, end of year	\$ 8,118,118	\$ 818,293	\$ 8,936,411	\$ 8,057,475

See notes to financial statements.

MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(with comparative totals for the year ended June 30, 2022)

	2023								Total	2022
	Program Services									
	Governance	Communications and Public Relations	Advocacy	Leadership Services	Affiliate Members and Services	Legal, Labor, and Policy Services	Management and General	Technology and Business Services		
Staff salaries	\$ 233,183	\$ 435,446	\$ 241,088	\$ 544,250	\$ 77,650	\$ 370,583	\$ 422,661	\$ 226,459	\$ 2,551,320	\$ 2,305,793
Staff fringe benefits and payroll taxes	86,921	162,316	89,867	202,873	28,945	138,137	157,550	72,795	939,404	836,940
Contract services	3,819	-	6,129	334,917	225	133,024	10,345	-	488,459	491,164
Consultants	-	12,845	34,000	-	13,333	-	29,704	-	89,882	70,799
Fees, dues, and professional services	-	884	550	14,929	-	16,995	70,030	-	103,388	68,738
Program and office operating expense	38,229	116,016	46,161	120,797	12,538	65,333	119,081	-	518,155	480,510
Contributions	-	-	-	-	-	-	500	-	500	1,000
NSBA dues	-	-	117,450	-	-	-	-	-	117,450	90,045
Meetings and conventions	55,366	8,222	24,789	223,138	5,558	5,665	12,651	-	335,389	305,274
Travel	73,999	2,139	14,712	114,120	878	11,291	16,681	-	233,820	172,110
CASBA grants	-	-	43,516	-	-	-	-	-	43,516	38,746
Support to districts	-	-	-	-	-	18,886	-	-	18,886	5,613
Projects and promotions	2,912	3,208	627	18,734	4,470	-	2,936	-	32,887	39,652
Depreciation	-	-	-	-	-	-	128,890	-	128,890	97,540
TOTAL EXPENSES	\$ 494,429	\$ 741,076	\$ 618,889	\$ 1,573,758	\$ 143,597	\$ 759,914	\$ 971,029	\$ 299,254	\$ 5,601,946	\$ 5,003,924

See notes to financial statements.

MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(with comparative totals for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash flows from operating activities		
Change in net assets	\$ 878,936	\$ (1,123,675)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Unrealized and realized loss (gain) on investments	(398,199)	1,067,124
Loss on investment in MELG	51,450	58,468
Depreciation	128,890	97,540
Accounts receivable	(46,895)	(273,042)
Prepaid expenses and deposits	(105,578)	31,739
Accounts payable	210,019	267,671
Accrued payroll and related items	(29,458)	(106,033)
Deferred revenue	(22,441)	170,697
Total adjustments	<u>(212,212)</u>	<u>1,314,164</u>
Net cash provided by operating activities	<u>666,724</u>	<u>190,489</u>
Cash flows from investing activities		
Purchase of property and equipment	(413,571)	(234,664)
Capital contribution to MELG	(14,809)	-
Sales of managed/mutual funds	1,341,305	3,138,380
Purchases of managed/mutual funds	<u>(1,389,080)</u>	<u>(3,239,534)</u>
Net cash used by investing activities	<u>(476,155)</u>	<u>(335,818)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	190,569	(145,329)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	<u>1,280,736</u>	<u>1,426,065</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year	<u>\$ 1,471,305</u>	<u>\$ 1,280,736</u>

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:

	2023	2022
Cash and cash equivalents	\$ 1,338,381	\$ 1,213,690
Restricted cash for legal trust fund	132,924	67,046
Total cash and cash equivalents and restricted cash	\$ 1,471,305	\$ 1,280,736

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.

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.

**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, 2023 and 2022 was \$57,900 and \$11,000, respectively. Beginning and ending balances for accounts receivable is reported as follows for the years ended June 30:

	2023	2022
Accounts receivable, beginning of year	\$ 557,590	\$ 284,548
Accounts receivable, end of year	\$ 604,485	\$ 557,590

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.

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:

	2023	2022
Deferred revenue, beginning of year	\$ 752,381	\$ 581,684
Deferred revenue, end of year	\$ 729,940	\$ 752,381

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

	<u>2023</u>	<u>2022</u>
Contract revenue recognized at a point in time		
Service fees	\$ 1,163,616	\$ 1,030,349
Royalty income	1,136,890	577,874
Publications, products and advertising	88,115	60,749
Conferences, seminars, and CBA fees	<u>894,397</u>	<u>583,691</u>
Total contract revenue recognized at a point in time	<u>3,283,018</u>	<u>2,252,663</u>
Contract revenue recognized over time		
Membership dues	<u>2,549,054</u>	<u>2,480,969</u>
Total contract revenue recognized over time	<u>2,549,054</u>	<u>2,480,969</u>
Sponsorships	97,954	88,376
Loss on investment in MELG	(51,450)	(58,468)
Miscellaneous income	130,758	95,811
Investment return, net	<u>471,548</u>	<u>(979,102)</u>
Total revenue	<u>\$ 6,480,882</u>	<u>\$ 3,880,249</u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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, 2022 from which the summarized information was derived.

Reclassifications

Certain 2022 numbers have been reclassified to be in conformity with the current year presentation.

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

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.

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 October 23, 2023, which is the date the financial statements were available to be issued.

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

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, 2023 and 2022, 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 10):

	2023	2022
Cash and cash equivalents and restricted cash	\$ 1,471,305	\$ 1,280,736
Investments	6,139,643	5,693,669
Accounts receivable	604,485	557,590
Total financial assets	8,215,433	7,531,995
Donor-imposed restrictions		
Less purpose restricted funds	(818,293)	(745,536)
Financial assets available to meet cash needs for general expenditures within one year	\$ 7,397,140	\$ 6,786,459

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.

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).

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

NOTE 4 - INVESTMENTS/FAIR VALUE MEASUREMENTS (continued)

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, 2023 and 2022:

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, 2023 and 2022, 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, 2023			Total
	Level 1	Level 2	Level 3	
Mutual funds				
Equity funds				
Value index funds	\$ 430,351	\$ -	\$ -	\$ 430,351
Growth index funds	110,072	-	-	110,072
Stock market funds	103,532	-	-	103,532
Fixed income funds				
Income funds	835,767	-	-	835,767
Total mutual funds	1,479,722	-	-	1,479,722
Common stock	3,447,291	-	-	3,447,291
Preferred securities	-	119,397	-	119,397
Government securities	-	462,614	-	462,614
Corporate bonds and notes	-	368,677	-	368,677
Total investments at fair value	<u>\$ 4,927,013</u>	<u>\$ 950,688</u>	<u>\$ -</u>	5,877,701
Money market funds at cost				<u>261,942</u>
Total investments				<u>\$ 6,139,643</u>

The investments are presented in the financial statements as follows:

Investments	\$ 5,485,102
Long-term investments - LTF	<u>654,541</u>
	<u>\$ 6,139,643</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, 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>

Investment return, net for the years ended June 30, 2023 and 2022 consists of the following:

	2023	2022
Interest and dividends	\$ 142,489	\$ 170,046
Net realized and unrealized gains (losses)	398,199	(1,067,124)
Less investment fees	<u>(69,140)</u>	<u>(82,024)</u>
	<u>\$ 471,548</u>	<u>\$ (979,102)</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>2023</u>	<u>2022</u>
Building improvements	\$ 217,939	\$ 217,939
Automobiles	58,278	58,278
Office equipment	774,165	774,164
Software	<u>882,015</u>	<u>468,445</u>
	1,932,397	1,518,826
Less accumulated depreciation	<u>(1,241,029)</u>	<u>(1,112,139)</u>
Net property and equipment	<u>\$ 691,368</u>	<u>\$ 406,687</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$128,890 and \$97,540, 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 \$77,387 and \$71,744 for the years ended June 30, 2023 and 2022, respectively.

For the years ended June 30, 2023 and 2022, the Association provided funds in the amount of \$14,809 and \$0, respectively, to MELG for possible capital expenditures that could occur in the future. The Association has miscellaneous accounts payable to MELG of \$8,283 and \$11,529 at June 30, 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
Total assets	\$ 4,135,199	\$ 4,243,866
Net assets	4,119,517	4,211,435
Revenue and capital contribution	270,123	168,267
Change in net assets	(91,913)	(152,986)

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

NOTE 7 - DEFERRED REVENUE

A summary of deferred revenue at June 30, 2023 and 2022 is as follows:

	2023	2022
Membership dues	\$ 453,114	\$ 462,134
Exhibit services	-	10,160
Employment relations information network (ERIN)	82,841	83,836
VIP dues	5,556	4,551
Conferences and other	188,429	191,700
Total deferred revenue	\$ 729,940	\$ 752,381

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 2023 and 2022. The amounts contributed to the plan for the years ended June 30, 2023 and 2022 totaled \$26,223 and \$22,145, 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, 2023 and 2022 amounted to \$289,286 and \$276,040, 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, 2023 and 2022 was \$40,118 and \$39,693, 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, 2023 and 2022 amounted to \$42,000 and \$42,000, respectively.

As of June 30, 2023 and 2022, the legal trust fund has a conditional commitment to provide financial assistance to members in amounts up to approximately \$40,000 and \$70,000, 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:

	2023	2022
Subject or expenditure for specified purpose		
Legal Trust Fund	\$ 818,293	\$ 745,536

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:

	2023	2022
Satisfaction of purpose restrictions		
Legal Trust Fund	\$ 60,886	\$ 47,613

SUPPLEMENTARY INFORMATION

MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.
SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2023

	<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>Technology and Business Services</u>	<u>Total</u>
Revenues	\$ -	\$ 40,521	\$ 20,045	\$ 1,381,791	\$ 1,438,311	\$ 458,610	\$ 2,833,604	\$ 308,000	\$ 6,480,882
Expenses	<u>(494,429)</u>	<u>(741,076)</u>	<u>(618,889)</u>	<u>(1,573,758)</u>	<u>(143,597)</u>	<u>(759,914)</u>	<u>(971,029)</u>	<u>(299,254)</u>	<u>(5,601,946)</u>
Excess of revenues over (under) expenses	<u>\$ (494,429)</u>	<u>\$ (700,555)</u>	<u>\$ (598,844)</u>	<u>\$ (191,967)</u>	<u>\$ 1,294,714</u>	<u>\$ (301,304)</u>	<u>\$ 1,862,575</u>	<u>\$ 8,746</u>	<u>\$ 878,936</u>