

MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.

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

**YEAR ENDED JUNE 30, 2021
(with comparative totals for the
year ended June 30, 2020)**



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INDEPENDENT AUDITOR'S REPORT

Executive Board
Michigan Association of School Boards, Inc.

Report on the Financial Statements

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, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year ended June 30, 2021, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021 and 2020, and the changes in its net assets and its cash flows for the year ended June 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Michigan Association of School Boards, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 13, 2020. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2020, 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 Costerian PC

December 2, 2021

MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,426,065	\$ 1,603,296
Investments	5,956,706	4,503,514
Accounts receivable, less allowance of \$5,800 and \$7,900 in 2021 and 2020, respectively	284,548	386,079
Prepaid expenses and deposits	123,122	83,100
Total current assets	7,790,441	6,575,989
Property and equipment, less accumulated depreciation	269,563	288,880
Long-term investments - LTF	702,933	581,829
Deferred compensation	99,784	56,148
Investment in MELG	1,430,709	1,348,586
TOTAL ASSETS	\$ 10,293,430	\$ 8,851,432
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 72,336	\$ 231,632
Accrued payroll and related items	266,713	166,153
Refundable advance	-	375,000
Deferred revenue	581,684	371,333
Total current liabilities	920,733	1,144,118
Deferred compensation	99,784	56,148
Postemployment benefits	91,763	97,590
TOTAL LIABILITIES	1,112,280	1,297,856
NET ASSETS		
Without donor restrictions	8,363,723	6,896,240
With donor restrictions	817,427	657,336
TOTAL NET ASSETS	9,181,150	7,553,576
TOTAL LIABILITIES AND NET ASSETS	\$ 10,293,430	\$ 8,851,432

See notes to financial statements.

MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021
(with comparative totals for the year ended June 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES				
Dues	\$ 2,390,639	\$ 80,720	\$ 2,471,359	\$ 2,467,767
Service fees	852,334	-	852,334	704,999
Royalty income	649,784	-	649,784	788,510
Publications, products and advertising	53,064	-	53,064	46,737
Conferences, seminars, and CBA fees	355,557	-	355,557	557,182
Sponsorships	87,571	-	87,571	140,895
Investment return, net	977,533	121,371	1,098,904	283,164
Payroll protection program loan forgiveness	375,000	-	375,000	-
Miscellaneous income	56,792	-	56,792	51,091
Net assets released from restrictions	42,000	(42,000)	-	-
TOTAL REVENUES	5,840,274	160,091	6,000,365	5,040,345
EXPENSES				
Governance	339,338	-	339,338	394,518
Communications and public relations	682,991	-	682,991	643,856
Advocacy	520,610	-	520,610	488,657
Leadership services	1,172,710	-	1,172,710	1,258,003
Affiliate members and services	124,420	-	124,420	121,280
Legal, labor, and policy services	674,402	-	674,402	600,561
Management and general	858,320	-	858,320	881,376
TOTAL EXPENSES	4,372,791	-	4,372,791	4,388,251
CHANGE IN NET ASSETS	1,467,483	160,091	1,627,574	652,094
NET ASSETS, beginning of year	6,896,240	657,336	7,553,576	6,901,482
NET ASSETS, end of year	\$ 8,363,723	\$ 817,427	\$ 9,181,150	\$ 7,553,576

See notes to financial statements.

MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(with comparative totals for the year ended June 30, 2020)

	2021							Total	2020
	Program Services								
	Governance	Communications and Public Relations	Advocacy	Leadership Services	Affiliate Members and Services	Legal, Labor, and Policy Services	Management and General		
Staff salaries	\$ 205,751	\$ 384,069	\$ 212,609	\$ 480,086	\$ 68,584	\$ 326,915	\$ 387,834	\$ 2,065,848	\$ 1,933,621
Staff fringe benefits and payroll taxes	83,325	155,540	86,102	194,425	27,776	132,395	246,272	925,835	826,603
Contract services	525	-	52,976	277,297	-	133,970	10,545	475,313	360,636
Consultants	-	8,049	-	-	13,332	-	13,127	34,508	25,590
Fees, dues, and professional services	-	507	400	10,518	-	2,985	44,385	58,795	67,979
Program and office operating expense	44,571	119,951	52,420	135,015	14,517	73,593	5,071	445,138	445,929
Contributions	-	-	-	-	-	-	1,250	1,250	1,493
NSBA dues	-	-	78,300	-	-	-	-	78,300	71,951
Meetings and conventions	1,957	4,920	584	16,788	-	150	9,645	34,044	251,312
Travel	(1,414)	143	1,265	26,701	-	4,390	6,767	37,852	187,959
CASBA grants	-	-	35,954	-	-	-	-	35,954	34,814
Depreciation	-	-	-	-	-	-	79,036	79,036	90,564
Projects and promotions	4,623	9,812	-	31,880	211	4	2,938	49,468	38,350
Loss on investment in MELG	-	-	-	-	-	-	51,450	51,450	51,450
TOTAL EXPENSES	\$ 339,338	\$ 682,991	\$ 520,610	\$ 1,172,710	\$ 124,420	\$ 674,402	\$ 858,320	\$ 4,372,791	\$ 4,388,251

See notes to financial statements.

MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash flows from operating activities		
Change in net assets	\$ 1,627,574	\$ 652,094
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Unrealized and realized gains on investments	(1,038,153)	(230,286)
Loss on investment in MELG	51,450	51,450
Loss (gain) on disposal of fixed assets	(9,359)	-
Payroll protection program loan forgiveness	(375,000)	-
Depreciation	79,036	90,564
Accounts receivable	101,531	(132,470)
Prepaid expenses and deposits	(40,022)	46,596
Accounts payable	(159,296)	(27,487)
Accrued payroll and related items	94,733	(49,900)
Deferred revenue	210,351	(263,452)
	(1,084,729)	(514,985)
Total adjustments		
Net cash provided by operating activities	542,845	137,109
Cash flows from investing activities		
Purchase of property and equipment	(79,860)	(116,020)
Proceeds from sale of property and equipment	29,500	-
Capital contribution to MELG	(133,573)	(59,206)
Net sales (purchases) of managed/mutual funds	(536,143)	(786,414)
	(720,076)	(961,640)
Net cash used by investing activities		
Cash flows from financing activities		
Refundable advance	-	375,000
	-	375,000
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(177,231)	(449,531)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	1,603,296	2,052,827
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year	\$ 1,426,065	\$ 1,603,296

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 statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows as of June 30:

	2021	2020
Cash and cash equivalents	\$ 1,311,651	\$ 1,528,106
Restricted cash for legal trust fund	114,414	75,190
Total cash and cash equivalents and restricted cash	\$ 1,426,065	\$ 1,603,296

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.

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, 2021 and 2020 was \$5,800 and \$7,900, respectively. Beginning and ending balances for accounts receivable is reported as follows for the year ended June 30:

	2021	2020
Accounts receivable, beginning of year	\$ 386,079	\$ 253,609
Accounts receivable, end of year	\$ 284,548	\$ 386,079

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 year ended June 30:

	2021	2020
Deferred revenue, beginning of year	\$ 371,333	\$ 634,785
Deferred revenue, end of year	\$ 581,684	\$ 371,333

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 year ended June 30:

	2021	2020
Contract revenue recognized at a point in time		
Service fees	\$ 852,334	\$ 704,999
Royalty income	649,784	788,510
Publications, products and advertising	53,064	46,737
Conferences, seminars, and CBA fees	355,557	557,182
Total contract revenue recognized at a point in time	1,910,739	2,097,428
Contract revenue recognized over time		
Membership dues	2,471,359	2,467,767
Total contract revenue recognized over time	2,471,359	2,467,767
Sponsorships	87,571	140,895
Payroll protection program loan forgiveness	375,000	-
Miscellaneous income	56,792	51,091
Investment return, net	1,098,904	283,164
Total revenue	\$ 6,000,365	\$ 5,040,345

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 statements of functional expenses present 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, 2020 from which the summarized information was derived.

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 extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on members, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Association's financial condition and results or operations is uncertain.

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 December 2, 2021, 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, 2021 and 2020, 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):

	2021	2020
Cash and cash equivalents	\$ 1,426,065	\$ 1,603,296
Investments	6,659,639	5,085,343
Accounts receivable	284,548	386,079
Total financial assets	8,370,252	7,074,718
Donor-imposed restrictions		
Less purpose restricted funds	(817,427)	(657,336)
Financial assets available to meet cash needs for general expenditures within one year	\$ 7,552,825	\$ 6,417,382

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, 2021 and 2020:

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, 2021 and 2020, 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, 2021			Total
	Level 1	Level 2	Level 3	
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>

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, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity funds				
Value index funds	\$ 320,806	\$ -	\$ -	\$ 320,806
Growth index funds	115,170	-	-	115,170
Stock market funds	73,569	-	-	73,569
Fixed income funds				
Stock index funds	66,312	-	-	66,312
Income funds	787,837	-	-	787,837
Total mutual funds	1,363,694	-	-	1,363,694
Common stock	2,732,878	-	-	2,732,878
Preferred securities	-	109,036	-	109,036
Government securities	-	283,510	-	283,510
Corporate bonds and notes	-	462,966	-	462,966
Total investments at fair value	<u>\$ 4,096,572</u>	<u>\$ 855,512</u>	<u>\$ -</u>	4,952,084
Money market funds at cost				<u>133,259</u>
Total investments				<u>\$ 5,085,343</u>

The investments are presented in the financial statements as follows:

Investments	\$ 4,503,514
Long-term investments - LTF	<u>581,829</u>
	<u>\$ 5,085,343</u>

Investment income for the years ended June 30, 2021 and 2020 consists of the following:

	2021	2020
Interest and dividends	\$ 134,089	\$ 111,470
Net realized and unrealized gains	1,038,153	230,286
Less investment fees	<u>(73,338)</u>	<u>(58,592)</u>
	<u>\$ 1,098,904</u>	<u>\$ 283,164</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:

	2021	2020
Building improvements	\$ 193,312	\$ 193,312
Automobiles	58,278	48,360
Office equipment	662,525	655,623
Software	370,047	355,367
	1,284,162	1,252,662
Less accumulated depreciation	(1,014,599)	(963,782)
Net property and equipment	\$ 269,563	\$ 288,880

Depreciation expense for the years ended June 30, 2021 and 2020 was \$79,036 and \$90,564, 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 \$90,794 and \$93,451 for the years ended June 30, 2021 and 2020, respectively.

For the years ended June 30, 2021 and 2020, the Association provided funds in the amount of \$14,190 and \$15,726, 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 \$133,573 and \$59,206 for the years ended June 30, 2021 and 2020, respectively, to provide funding for MELG's building remodel. The Association has miscellaneous accounts payable to MELG of \$3,450 and \$28,836 at June 30, 2021 and 2020, respectively.

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

	2021	2020
Total assets	\$ 4,386,855	\$ 3,113,512
Net assets	4,364,421	3,100,623
Revenue and capital contribution	1,548,432	378,433
Change in net assets	1,263,798	92,670

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

NOTE 7 - DEFERRED REVENUE

A summary of deferred revenue at June 30, 2021 and 2020 is as follows:

	2021	2020
Membership dues	\$ 409,380	\$ 275,198
Employment relations information network (ERIN)	9,298	1,390
VIP dues	5,397	2,223
Conferences and other	157,609	92,522
Total deferred revenue	\$ 581,684	\$ 371,333

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 2021 and 2020. The amounts contributed to the plan for the years ended June 30, 2021 and 2020 totaled \$20,950 and \$20,200, 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, 2021 and 2020 amounted to \$267,528 and \$260,071, 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, 2021 and 2020 was \$91,763 and \$97,590, respectively, using a blended discount rate of 1% to 3.5%. 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.

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

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, 2021 and 2020 amounted to \$42,000 and \$42,000, respectively.

As of June 30, 2021 and 2020, the legal trust fund has a conditional commitment to provide financial assistance to members in amounts up to approximately \$60,000 and \$114,500, 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:

	2021	2020
Subject or expenditure for specified purpose		
Legal Trust Fund	\$ 817,427	\$ 657,336

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:

	2021	2020
Satisfaction of purpose restrictions		
Legal Trust Fund	\$ 42,000	\$ 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 as of June 30, 2021.

SUPPLEMENTARY INFORMATION

MICHIGAN ASSOCIATION OF SCHOOL BOARDS, INC.
SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>Governance</u>	<u>Communication s 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>Legal Trust Fund</u>	<u>Management and General</u>	<u>Total</u>
Revenues	\$ -	\$ 97,497	\$ 38,205	\$ 894,533	\$ 951,083	\$ 326,066	\$ 202,091	\$ 3,490,890	\$ 6,000,365
Expenses	<u>(339,338)</u>	<u>(682,991)</u>	<u>(520,610)</u>	<u>(1,172,710)</u>	<u>(124,420)</u>	<u>(674,402)</u>	-	<u>(858,320)</u>	<u>(4,372,791)</u>
Excess of revenues (under) over expenses	<u>\$ (339,338)</u>	<u>\$ (585,494)</u>	<u>\$ (482,405)</u>	<u>\$ (278,177)</u>	<u>\$ 826,663</u>	<u>\$ (348,336)</u>	<u>\$ 202,091</u>	<u>\$ 2,632,570</u>	<u>\$ 1,627,574</u>