

Association of Metropolitan School Districts, Inc.

Financial Statements Together with Independent Auditors' Report

June 30, 2018

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Association of Metropolitan School Districts, Inc.
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Association of Metropolitan School Districts, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statement of activities, and cash flows for the years then ended, 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.

Auditors' Responsibility

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

An audit 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 Association of Metropolitan School Districts, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of activities - budget and actual for the year ended June 30, 2018 on page 12, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked "not audited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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, that information is fairly stated, in all material respects, in relation to the financial statements as a whole. The information marked "not audited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Roseville, Minnesota
October 15, 2018

Olsen Thielens & Co., Ltd.

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

ASSETS		
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash	\$ 426,517	\$ 414,876
Receivables	618	-
Total Current Assets	<u>427,135</u>	<u>414,876</u>
PROPERTY AND EQUIPMENT:		
Furniture and Equipment	19,936	22,275
Less Accumulated Depreciation	<u>10,483</u>	<u>11,594</u>
Net Property and Equipment	<u>9,453</u>	<u>10,681</u>
 TOTAL ASSETS	 <u>\$ 436,588</u>	 <u>\$ 425,557</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 3,700	\$ 3,600
Accrued Expenses	82,707	82,985
Compensated Absences Payable	<u>17,017</u>	<u>17,017</u>
Total Current Liabilities	<u>103,424</u>	<u>103,602</u>
 UNRESTRICTED NET ASSETS	 <u>333,164</u>	 <u>321,955</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 436,588</u>	 <u>\$ 425,557</u>

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

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

STATEMENT OF ACTIVITIES YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
REVENUES:		
Membership Dues	\$ 444,279	\$ 443,309
Ad Hoc Equity and Integration Committee Contributions	-	311,233
Conference Fees	9,600	-
Interest Income	1,090	979
Miscellaneous Revenue	384	-
Total Revenues	455,353	755,521
EXPENSES:		
Committee	9,318	311,940
Executive Salaries	138,197	136,501
Executive Benefits & Payroll Taxes	44,908	43,671
Executive Car Allowance	5,400	5,400
Session Lobbyist	44,546	46,785
Communication Consultant	3,878	1,800
Secretarial/Accounting Salary	26,392	26,326
Secretarial/Accounting Benefits & Payroll Taxes	4,618	4,594
Senior Policy Advocate Salary	70,551	69,824
Senior Policy Advocate Benefits & Payroll Taxes	20,225	19,738
Senior Policy Advocate Car Allowance	3,000	3,000
Office Lease	12,933	11,855
Insurance	3,063	3,277
Telephone	1,342	2,097
Postage	21	136
Printing/Copying and Office Equipment	4,440	4,969
Supplies	1,685	1,579
Publications	816	743
Association Memberships	1,227	1,602
Miscellaneous	3,378	2,347
Professional Fees	10,167	8,761
Conference/Professional Development	6,369	13,276
Catering	13,794	10,666
Depreciation	3,220	2,873
Research Projects	1,500	1,500
Technology	7,912	3,615
Internship	1,244	828
Total Expenses	444,144	739,703
CHANGE IN UNRESTRICTED NET ASSETS	11,209	15,818
UNRESTRICTED NET ASSETS at Beginning of Year	321,955	306,137
UNRESTRICTED NET ASSETS at End of Year	\$ 333,164	\$ 321,955

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

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

**STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Unrestricted Net Assets	\$ 11,209	\$ 15,818
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	3,220	2,873
Loss on Disposal of Equipment	1,208	-
Change in Current Liabilities		
Accounts Receivable	(618)	-
Accounts Payable	100	3,600
Accrued Expenses	(278)	2,056
Net Cash Flows From Operating Activities	<u>14,841</u>	<u>24,347</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for Purchase of Equipment	<u>(3,200)</u>	<u>(2,416)</u>
Net Cash Flows From Investing Activities	<u>(3,200)</u>	<u>(2,416)</u>
NET CHANGE IN CASH	11,641	21,931
CASH at Beginning of Year	<u>414,876</u>	<u>392,945</u>
CASH at End of Year	<u>\$ 426,517</u>	<u>\$ 414,876</u>

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

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Association of Metropolitan School Districts, Inc. (a Minnesota nonprofit organization) (AMSD or Association) was formed as a consortium of Minnesota school districts under the provisions of the Joint Executive Powers Act of Minnesota Statutes. Beginning July 1, 2002, AMSD has elected exempt status as a nonprofit organization under Internal Revenue Code (IRC) § 501(c)(6). AMSD was formed to study and research legislative matters affecting member districts; to inform member school districts of the impact and consequences of existing, proposed, and pending legislation; and to disseminate school district and community educational concerns to interested persons, groups, and associations concerned with school matters. AMSD's principal source of revenue is from dues received from member school districts for these services. Additional revenue is generated from contracts for services, interest, and special projects.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions into three classes of net assets, unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Association has no temporarily or permanently restricted net assets.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Association has evaluated for recognition or disclosure the events or transactions that occurred through October 15, 2018, the date the financial statements were available to be issued.

Receivables

Receivables are reported at net realizable value. The Association monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Association has concluded that losses on balances outstanding at year end will be immaterial. As of June 30, 2018 and 2017, the Association has \$618 and \$0 of outstanding accounts receivable due to timing of their dues billing and collections.

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Equipment and Depreciation

Property and equipment are carried at cost or, if donated, at the approximated fair value at the date of donation. Additions, improvements or major renewals exceeding \$2,500 are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gain or loss thereon is reflected in the statement of activities. Individual assets that cost less than the established threshold but operate as part of network system (i.e. telephone system, computer systems) will be capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to five years.

Revenue Recognition

Revenues are recognized when earned. The Association's principal revenue sources are membership dues. Membership dues are recorded over the membership period, which is July 1 through June 30. During the prior period the Association entered into an agreement with their members to assist the school districts by creating an Ad Hoc Equity committee. This was a one-time program designed to collect revenue from members and in return provide legal advice back to the members. More details of the Ad Hoc Equity Committee revenue and expenditures are located in Note 6. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Functional Allocation of Expenses

Expenses are specifically identified with, or allocated to, program-related, administrative and fundraising functions. Expense allocations are generally computed based on the amount of time spent by employees performing those functions. Occupancy-related expenses are computed based on occupied space. Other expenses, not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Income Taxes

The Association is exempt from Federal and State income taxes under Section 501(c)(6) of the Internal Revenue Code, but is subject to income tax on net unrelated business income. The Association had no unrelated business income tax in 2018 and 2017.

The Association reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Association recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Association has identified no significant income tax uncertainties. The Association files information returns as a tax-exempt organization, should that status be challenged in the future, all years since inception, could be subject to review by the IRS.

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred. There were no advertising expenses in either 2018 and 2017.

Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash. The Association places its cash with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. As of June 30, 2018, the Association had a credit risk concentration as a result of depositing \$180,134 of funds in excess of insurance limits in a single bank.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides guidance for accounting for revenue from contracts with customers. The new guidance outlines a single comprehensive model for organizations to use in accounting for revenue from contracts with customers. This ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It can be adopted using either a retrospective approach or a modified retrospective approach. The Association is currently evaluating this guidance to determine the impact it may have on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for annual and interim periods beginning after December 15, 2019 with early adoption permitted. It is to be adopted using the modified retrospective approach. The Association is currently evaluating this guidance to determine the impact it may have on its financial statements.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which provides guidance for presentation of financial statements of not-for-profit entities. The new guidance requires a number of changes in the financial statement presentation including presenting two classes of net assets, underwater endowments, investment return, enhanced disclosures on board designations and management of liquid resources for cash flows, and present expenses by their natural and functional classification. The ASU will be effective for financial statements for fiscal years beginning after December 15, 2017 with early adoption permitted. The amendments in this update should be applied on a retrospective basis. However, if presenting comparative financial statements, the Association has the option to omit the following information for any periods presented before the period of adoption: analysis of expenses by both natural classification and functional classification and disclosures about liquidity and availability of resources. The Association is currently evaluating the impact that the adoption of this guidance will have on the Association's financial statements.

NOTE 2 - RETIREMENT PLAN

The Association has a Simple Retirement Plan. The Association contributes 6% of the qualified employee salaries. Association expense for the Plan was \$13,679 in 2018 and \$13,533 in 2017.

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - MEMBERSHIP DUES

AMSD's member districts support the Association through annual dues, which are comprised of an annual fixed fee, plus a variable fee based on the member district's enrollment.

Member dues for the year ended June 30, 2018 and 2017 were as follows:

	2018	2017
Independent School Districts:		
Anoka-Hennepin	\$ 11,492	\$ 11,519
Bloomington	11,401	11,375
Brooklyn Center	7,465	7,442
Burnsville	11,337	11,360
Columbia Heights	8,315	8,250
Eastern Carver County	11,240	11,229
Eden Prairie	10,794	10,835
Edina	9,866	9,886
Elk River	11,492	11,519
Farmington	9,962	9,943
Fridley	7,663	7,708
Hopkins	9,719	9,748
Inver Grove Heights	8,470	8,485
Lakeville	11,383	11,435
Mahtomedi	7,710	7,690
Minnetonka	9,900	9,917
Monticello	1,000	-
Mounds View	11,285	11,195
No. St. Paul - Maplewood - Oakdale	11,492	11,519
Orono	7,524	7,512
Osseo	11,492	11,519
Prior Lake-Savage	10,056	9,943
Richfield	8,742	8,768
Robbinsdale	11,492	11,519
Rochester	11,492	11,519
Rockford Area	7,349	7,358
Rosemount - Apple Valley - Eagan	11,492	11,519
Roseville	9,731	9,716
St. Anthony	7,220	7,168
St. Cloud	11,492	11,519
St. Louis Park	8,652	8,649
St. Paul	11,492	11,519
Shakopee	10,570	10,522
South Washington County	11,492	11,519
Spring Lake Park	9,131	9,110
Stillwater	10,894	10,961
Wayzata	11,492	11,429
West St. Paul	8,854	8,826
White Bear Lake	10,570	10,572

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - MEMBERSHIP DUES (Continued)

	2018	2017
Independent School Districts (Continued):		
Special School Districts		
Minneapolis	\$ 11,492	\$ 11,519
South St. Paul	8,022	8,018
Intermediate School District No. 287	6,600	6,600
West Metro Education Program	6,600	6,600
NE Metro Intermediate School District 916	6,600	6,600
East Metro Integration District	3,500	3,500
Intermediate School District No. 917	3,500	3,500
Metropolitan Educational Cooperative Service Unit	3,500	3,500
Northwest Suburban Integration District	3,500	3,500
Southwest Metro Educational Cooperative	3,500	3,500
Technology and Information Educational Services	3,500	3,500
Minnesota Board of School Administrators	750	750
Total Membership Dues	\$ 444,279	\$ 443,309

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The Association leases its principal office. The lease terms call for 60 monthly payments to be paid through June 30, 2018. The lease requires monthly payments totaling \$1,078. Beginning July 1, 2018, the Association has moved to a month to month lease as the building they occupy is currently for sale.

The Association leases its office equipment. The lease requires monthly payments of \$229 plus additional operating expenses through July 2019. Lease expense and future minimum rental commitments for these leases are as follows:

	Office Space	Office Equipment	Total
Expense:			
2018	\$ 12,933	\$ 4,414	\$ 17,347
2017	11,855	4,122	15,977
Commitment:			
2019	\$ -	\$ 2,748	\$ 2,748
2020	-	229	229
Total	\$ -	\$ 2,977	\$ 2,977

The Association has entered into three separate employment agreements with its executive director, office manager, and senior policy advocate. All employment agreements may be modified at any time by mutual consent of the parties. Each of the agreements may be terminated upon 30 days' written notice by the employee. The executive director's agreement was renewed in August 2017 and has four years remaining. Both the office manager and senior policy advocate agreements were renewed for one-year terms during June 2018.

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - FUNCTIONAL EXPENSES

Functional Expenses at June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Program Services	\$ 368,063	\$ 666,529
Management and General	76,081	73,174
	<u>\$ 444,144</u>	<u>\$ 739,703</u>

NOTE 6 - AD HOC EQUITY AND INTEGRATION COMMITTEE

During fiscal year 2017, members of the Association decided to request a service from the Association. The service was to provide legal advice and consulting services to member school districts on creating a collective action plan and to address integration, access, opportunity and educational achievement. The Association collected \$311,233 worth of contributions from 31 of their members to provide legal advice and consulting services to the school districts. The Association spent \$311,522 worth of expenditures through a consulting firm to aid in legal advice and consulting services. This was a one-time expenditure, during fiscal year 2018, noted that \$8,762 was spent for a follow-up committee to perform additional research on the issue.

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

**SCHEDULE OF ACTIVITIES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget (Not Audited)	Actual	Over (Under) Budget
REVENUES:			
Membership Dues	\$ 443,333	\$ 444,279	\$ 946
Conference Fees	4,000	9,600	5,600
Interest Income	900	1,090	190
Miscellaneous Revenue	-	384	384
Total Revenues	<u>448,233</u>	<u>455,353</u>	<u>7,120</u>
EXPENSES:			
Committee	600	9,318	8,718
Executive Salaries	136,664	138,197	1,533
Executive Benefits & Payroll Taxes	44,458	44,908	450
Executive Car Allowance	5,400	5,400	-
Session Lobbyist	45,000	44,546	(454)
Communication Consultant	4,000	3,878	(122)
Secretarial/Accounting Salary	29,897	26,392	(3,505)
Secretarial/Accounting Benefits & Payroll Taxes	5,273	4,618	(655)
Senior Policy Advocate Salary	71,224	70,551	(673)
Senior Policy Advocate Benefits & Payroll Taxes	20,222	20,225	3
Senior Policy Advocate Car Allowance	3,000	3,000	-
Office Lease	12,933	12,933	-
Insurance	3,400	3,063	(337)
Telephone	2,100	1,342	(758)
Postage	200	21	(179)
Printing/Copying and Office Equipment	5,850	4,440	(1,410)
Supplies	2,000	1,685	(315)
Publications	1,000	816	(184)
Association Memberships	1,500	1,227	(273)
Miscellaneous	8,650	3,378	(5,272)
Professional Fees	9,550	10,167	617
Legal Fees	2,500	-	(2,500)
Conference/Professional Development	11,000	6,369	(4,631)
Catering	12,000	13,794	1,794
Depreciation	-	3,220	3,220
Research Projects	2,500	1,500	(1,000)
Technology	12,210	7,912	(4,298)
Internship	5,000	1,244	(3,756)
Total Expenses	<u>458,131</u>	<u>444,144</u>	<u>(13,987)</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>\$ (9,898)</u>	<u>\$ 11,209</u>	<u>\$ 21,107</u>