

Association of Metropolitan School Districts, Inc.

Financial Statements Together with Independent Auditors' Report

June 30, 2020

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Association of Metropolitan School Districts, Inc.
Arden Hills, 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, 2020 and 2019, and the related statement of activities, functional expenses, 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, 2020 and 2019, 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, 2020 on page 14, 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 26, 2020

Olsen Thielens & Co., Ltd.

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

ASSETS		
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash	<u>\$ 441,933</u>	<u>\$ 416,881</u>
Total Current Assets	<u>441,933</u>	<u>416,881</u>
PROPERTY AND EQUIPMENT:		
Leasehold Improvements	7,741	7,741
Furniture and Equipment	12,034	12,034
Less Accumulated Depreciation	<u>12,585</u>	<u>8,903</u>
Net Property and Equipment	<u>7,190</u>	<u>10,872</u>
 TOTAL ASSETS	 <u>\$ 449,123</u>	 <u>\$ 427,753</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 8,400	\$ 3,923
Accrued Expenses	89,410	85,417
Compensated Absences Payable	23,615	17,017
Total Current Liabilities	<u>121,425</u>	<u>106,357</u>
 NET ASSETS WITHOUT DONOR RESTRICTIONS	 <u>327,698</u>	 <u>321,396</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 449,123</u>	 <u>\$ 427,753</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
REVENUES:		
Membership Dues	\$ 461,459	\$ 443,071
Conference Fees and Other	6,777	4,086
Interest Income	1,128	1,153
Total Revenues	<u>469,364</u>	<u>448,310</u>
EXPENSES:		
Program Expenses	379,850	380,166
Management and General	83,212	79,912
Total Expenses	<u>463,062</u>	<u>460,078</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	6,302	(11,768)
NET ASSETS WITHOUT DONOR RESTRICTIONS at Beginning of Year	<u>321,396</u>	<u>333,164</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS at End of Year	<u>\$ 327,698</u>	<u>\$ 321,396</u>

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

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	2020		Grand Total
	Program Services	Management and General	
Committee	\$ 2,665	\$ -	\$ 2,665
Executive Salaries	132,917	14,769	147,686
Executive Benefits & Payroll Taxes	43,395	4,822	48,217
Executive Car Allowance	4,860	540	5,400
Session Lobbyist	52,157	-	52,157
Office Manager Salary	-	30,433	30,433
Office Manager Benefits & Payroll Taxes	-	5,101	5,101
Director of Comm. & Advoc. Salary	75,830	8,425	84,255
Director of Comm. & Advoc. Benefits & Payroll Taxes	12,501	1,389	13,890
Director of Comm. & Advoc. Car Allowance	2,700	300	3,000
Office Lease	16,916	1,879	18,795
Insurance	368	123	491
Telephone	2,753	306	3,059
Postage	27	80	107
Printing/Copying and Office Equipment	3,912	435	4,347
Supplies	865	865	1,730
Publications	862	-	862
Association Memberships	1,509	-	1,509
Miscellaneous	952	952	1,903
Professional Fees	-	11,006	11,006
Conference/Professional Development	10,090	-	10,090
Catering	5,525	-	5,525
Depreciation	3,682	-	3,682
Technology	5,364	1,788	7,152
 Total Expenses	 <u>\$ 379,850</u>	 <u>\$ 83,212</u>	 <u>\$ 463,062</u>

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

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES (Continued)
YEAR ENDED JUNE 30, 2019**

	2019		
	Program Services	Management and General	Grand Total
Committee	\$ 11,744	\$ –	\$ 11,744
Executive Salaries	122,106	13,567	135,673
Executive Benefits & Payroll Taxes	46,310	5,145	51,455
Executive Car Allowance	4,860	540	5,400
Session Lobbyist	48,212	–	48,212
Office Manager Salary	–	26,124	26,124
Office Manager Benefits & Payroll Taxes	–	5,134	5,134
Director of Comm. & Advoc. Salary	67,846	7,538	75,384
Director of Comm. & Advoc. Benefits & Payroll Taxes	11,534	1,282	12,816
Director of Comm. & Advoc. Car Allowance	2,544	283	2,827
Office Lease	17,802	1,978	19,780
Furniture and Fixtures	1,102	–	1,102
Insurance	4,574	1,525	6,099
Telephone	3,753	417	4,170
Postage	34	102	136
Printing/Copying and Office Equipment	4,583	509	5,092
Supplies	1,340	1,339	2,679
Publications	1,007	–	1,007
Association Memberships	1,653	–	1,653
Miscellaneous	2,784	2,784	5,568
Professional Fees	–	9,545	9,545
Legal Fees	–	465	465
Conference/Professional Development	6,033	–	6,033
Catering	9,937	–	9,937
Depreciation	4,004	–	4,004
Research Projects	1,500	–	1,500
Technology	4,904	1,635	6,539
Total Expenses	<u>\$ 380,166</u>	<u>\$ 79,912</u>	<u>\$ 460,078</u>

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, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets Without Donor Restrictions	\$ 6,302	\$ (11,768)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	3,682	4,004
Loss on Disposal of Equipment	-	2,318
Change in Current Liabilities		
Accounts Receivable	-	618
Accounts Payable	4,477	223
Accrued Expenses	3,993	2,710
Compensated Absences Payable	6,598	-
Net Cash Flows From Operating Activities	25,052	(1,895)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for Purchase of Property and Equipment	-	(7,741)
Net Cash Flows From Investing Activities	-	(7,741)
NET CHANGE IN CASH	25,052	(9,636)
CASH at Beginning of Year	416,881	426,517
CASH at End of Year	\$ 441,933	\$ 416,881

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 two classes of net assets, without donor restrictions and with donor restrictions. The Association has no net assets with donor restrictions.

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 26, 2020, 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, 2020 and 2019, the Association has \$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. Contributions may be received occasionally. 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 2020 and 2019.

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 2020 and 2019.

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, 2020, the Association had a credit risk concentration as a result of depositing \$196,900 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. On May 20, 2020, the FASB voted to allow certain companies to defer the adoption date of the ASC 606 revenue recognition standard for annual and interim periods beginning after December 15, 2019 with early adoption permitted. Impacted companies are nonpublic entities that have not yet issued their financial statements. It can be adopted using either a retrospective approach or a modified retrospective approach. The Association decided to defer the adoption date of ASC 606 and 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 periods beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022, 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.

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 \$14,948 in 2020 and \$14,230 in 2019.

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, 2020 and 2019 were as follows:

	2020	2019
Independent School Districts:		
Anoka-Hennepin	\$ 11,925	\$ 11,600
Bloomington	11,925	11,591
Brooklyn Center	7,723	7,617
Burnsville	11,723	11,473
Columbia Heights	8,687	8,484
Eastern Carver County	11,797	11,479
Eden Prairie	11,264	10,958
Edina	10,282	10,037
Elk River	11,925	11,600
Farmington	10,368	10,094
Fridley	7,981	7,844
Hopkins	10,075	9,845
Inver Grove Heights	8,744	8,594
Lakeville	11,896	11,527
Mahtomedi	7,989	7,874
Mnetonka	10,359	10,080
Mounds View	11,925	11,521
No. St. Paul - Maplewood - Oakdale	11,925	11,600
Orono	7,806	7,700
Osseo	11,925	11,600
Prior Lake-Savage	10,656	10,319
Richfield	9,105	8,917
Robbinsdale	11,925	11,600
Rochester	11,925	11,600
Rockford Area	7,593	7,509
Rosemount - Apple Valley - Eagan	11,925	11,600
Roseville	10,060	9,879
St. Anthony	7,524	7,420
St. Cloud	11,925	11,600
St. Louis Park	8,959	8,794
St. Paul	11,925	11,600
Shakopee	11,085	10,776
South Washington County	11,925	11,600
Spring Lake Park	9,508	9,280
Stillwater	11,364	11,045
Wayzata	11,925	11,600
Westonka	8,027	-
West St. Paul	9,231	9,022
White Bear Lake	11,063	10,701

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - MEMBERSHIP DUES (Continued)

	2020	2019
Independent School Districts (Continued):		
Special School Districts:		
Minneapolis	\$ 11,925	\$ 11,600
South St. Paul	8,365	8,181
Intermediate School District No. 287	6,825	6,780
West Metro Education Program	-	3,500
NE Metro Intermediate School District 916	6,825	6,780
East Metro Integration District	-	3,500
Intermediate School District No. 917	3,700	3,500
Metropolitan Educational Cooperative Service Unit	3,700	3,500
Northwest Suburban Integration District	3,700	3,500
Southwest Metro Educational Cooperative	6,825	3,500
Equity Alliance MN	3,700	-
Minnesota Board of School Administrators	-	750
Total Membership Dues	\$ 461,459	\$ 443,071

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The Association leases its principal office. The lease terms call for 60 monthly payments to be paid through November 30, 2023. The lease requires monthly payments totaling \$1,608, plus annual increases.

The Association leases its office equipment. The lease requires monthly payments of \$261 plus additional operating expenses through December 2022. Lease expense and future minimum rental commitments for these leases are as follows:

	Office Space	Office Equipment	Total
Expense:			
2020	\$ 18,795	\$ 3,870	\$ 22,665
2019	19,780	4,262	24,042
Commitment:			
2021	\$ 19,906	\$ 3,132	\$ 23,038
2022	20,291	3,132	23,423
2023	20,677	1,566	22,243
2024	8,682	-	8,682
Total	\$ 69,556	\$ 7,830	\$ 77,386

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - COMMITMENTS AND CONTINGENCIES (Continued)

The Association has entered into three separate employment agreements with its executive director, office manager, and director of communications and advocacy. 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 three years remaining. Both the office manager and director of comm. and advoc. agreements were renewed for one-year terms during June 2019.

NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association maintains and manages adequate operating reserves per policies set by the board of directors. The Executive Committee periodically reviews and recommends reserve policies to the board of directors for approval.

The Association maintains a targeted operating reserve fund at a minimum of 50% of annual operating expenses or about six months of expenses on average. The reserve consists of cash.

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash	<u>\$ 441,933</u>	<u>\$ 416,881</u>
Total Financial Assets	<u>441,933</u>	<u>416,881</u>
 Amounts Available for General Expenditure Within One Year	 <u>\$ 441,933</u>	 <u>\$ 416,881</u>

NOTE 6 - RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the novel strain of the coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Association cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact the Association's operations and financial statements.

ASSOCIATION OF METROPOLITAN SCHOOL DISTRICTS, INC.

**SCHEDULE OF ACTIVITIES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget (Not Audited)</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:			
Membership Dues	\$ 458,331	\$ 461,459	\$ 3,128
Conference Fees and Other	8,000	6,777	(1,223)
Interest Income	900	1,128	228
Total Revenues	<u>467,231</u>	<u>469,364</u>	<u>2,133</u>
EXPENSES:			
Committee	2,000	2,665	665
Executive Salaries	140,936	147,686	6,750
Executive Benefits & Performance Pay & Payroll Taxes	51,093	48,217	(2,876)
Executive Car Allowance	5,400	5,400	-
Contract Lobbyist	48,000	52,157	4,157
Communication Consultant	2,000	-	(2,000)
Office Manager Salary	27,000	30,433	3,433
Office Manager Benefits & Performance Pay & Payroll Taxes	5,606	5,101	(505)
Director of Comm. & Advoc. Salary	81,600	84,255	2,655
Director of Comm. & Advoc. Benefits & Performance Pay & Payroll Taxes	14,714	13,890	(824)
Director of Comm. & Advoc. Car Allowance	3,000	3,000	-
Office Lease	19,000	18,795	(205)
Furniture and Fixtures	2,000	-	(2,000)
Insurance	3,400	491	(2,909)
Telephone	3,250	3,059	(191)
Postage	200	107	(93)
Printing/Copying and Office Equipment	6,050	4,347	(1,703)
Office Supplies and Expense	2,000	1,730	(270)
Publications & Subscriptions	1,100	862	(238)
Association Memberships	1,600	1,509	(91)
Miscellaneous	3,250	1,903	(1,347)
Professional (Accounting) Fees	8,000	11,006	3,006
Legal Fees	2,500	-	(2,500)
Board of Directors Meetings	11,000	-	(11,000)
Conference/Professional Development	8,000	10,090	2,090
Catering	4,000	5,525	1,525
Depreciation	-	3,682	3,682
Research Projects	2,000	-	(2,000)
Technology Expenses	7,250	7,152	(98)
Total Expenses	<u>465,949</u>	<u>463,062</u>	<u>(2,887)</u>
CHANGE IN NET ASSETS	<u>\$ 1,282</u>	<u>\$ 6,302</u>	<u>\$ 5,020</u>