

**COLORADO ASSOCIATION OF
SCHOOL BOARDS**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**For the Year Ended
June 30, 2016**



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By Justin L. Smith at 11:02 am, Sep 22, 2016

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FINANCIAL SECTION

Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Directors
Colorado Association of School Boards
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Colorado Association of School Boards, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year 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 opinions 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 respective financial position of Colorado Association of School Boards, as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Colorado Association of School Board's June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenues and expenses by program on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. The 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. Such 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.

Holscher, Mayberry + Company, LLC

Englewood, Colorado
August 23, 2016

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FINANCIAL STATEMENTS

The Financial Statements provide a financial overview of the Association's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2016.

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF FINANCIAL POSITION

**June 30, 2016
(With Comparative Totals for June 30, 2015)**

	<u>Operating Program</u>	<u>Non-Dues Program</u>	<u>Capital Program</u>	<u>Attorney's Council Program</u>
Assets				
Current Assets				
Cash	\$ 195,754	\$ 1,764	\$ 12,028	\$ 2,907
Investments	73,514	-	-	-
Accounts Receivable	1,366,560	-	-	-
Prepaid Expenses	27,420	-	-	-
Due from (to) Other Programs	<u>277,608</u>	<u>-</u>	<u>(2,818)</u>	<u>(63)</u>
Total Current Assets	<u>1,940,856</u>	<u>1,764</u>	<u>9,210</u>	<u>2,844</u>
Property & Equipment				
Land	-	-	402,307	-
Building	-	-	1,483,392	-
Office Furniture and Equipment	<u>27,603</u>	<u>-</u>	<u>283,482</u>	<u>-</u>
Total Property & Equipment	27,603	-	2,169,181	-
Accumulated Depreciation	<u>(27,603)</u>	<u>-</u>	<u>(1,646,006)</u>	<u>-</u>
Property & Equipment - Net	<u>-</u>	<u>-</u>	<u>523,175</u>	<u>-</u>
Noncurrent Assets				
Restricted Investments	80,000	-	-	-
Long Term Investments	1,216,455	-	-	-
Noncurrent Accounts Receivable	101,772	-	-	-
Loan Issuance Costs	<u>2,683</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Assets	<u>1,400,910</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 3,341,766</u>	<u>\$ 1,764</u>	<u>\$ 532,385</u>	<u>\$ 2,844</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts Payable	\$ 10,739	\$ -	\$ -	\$ -
Deferred Revenue	1,650,902	-	-	-
Other Accrued Liabilities	-	-	-	-
Accrued Interest Payable	39,469	-	-	-
Current Portion of Notes Payable	<u>1,101,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>2,802,210</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long-Term Liabilities				
Notes Payable	985,672	-	-	-
Accrued Compensated Absences	<u>126,264</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>1,111,936</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>3,914,146</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets				
Temporarily Restricted	80,000	-	-	-
Unrestricted	<u>(652,380)</u>	<u>1,764</u>	<u>532,385</u>	<u>2,844</u>
Total Net Assets	<u>(572,380)</u>	<u>1,764</u>	<u>532,385</u>	<u>2,844</u>
Total Liabilities and Net Assets	<u>\$ 3,341,766</u>	<u>\$ 1,764</u>	<u>\$ 532,385</u>	<u>\$ 2,844</u>

See Accompanying Notes to Financial Statements

Legal Services Program	TOTALS	
	2016	2015
\$ 29,578	\$ 242,031	\$ 209,619
-	73,514	73,165
18,946	1,385,506	1,470,317
-	27,420	15,153
<u>(274,727)</u>	<u>-</u>	<u>-</u>
<u>(226,203)</u>	<u>1,728,471</u>	<u>1,768,254</u>
-	402,307	402,307
-	1,483,392	1,483,392
<u>-</u>	<u>311,085</u>	<u>311,085</u>
-	2,196,784	2,196,784
<u>-</u>	<u>(1,673,609)</u>	<u>(1,651,026)</u>
<u>-</u>	<u>523,175</u>	<u>545,758</u>
-	80,000	80,000
-	1,216,455	1,249,000
-	101,772	121,772
<u>-</u>	<u>2,683</u>	<u>6,259</u>
<u>-</u>	<u>1,400,910</u>	<u>1,457,031</u>
<u>\$ (226,203)</u>	<u>\$ 3,652,556</u>	<u>\$ 3,771,043</u>
\$ -	\$ 10,739	\$ 18,600
-	1,650,902	1,566,584
-	-	(5)
-	39,469	37,311
<u>-</u>	<u>1,101,100</u>	<u>48,400</u>
<u>-</u>	<u>2,802,210</u>	<u>1,670,890</u>
-	985,672	1,880,924
<u>-</u>	<u>126,264</u>	<u>130,720</u>
<u>-</u>	<u>1,111,936</u>	<u>2,011,644</u>
<u>-</u>	<u>3,914,146</u>	<u>3,682,534</u>
-	80,000	80,000
<u>(226,203)</u>	<u>(341,590)</u>	<u>8,509</u>
<u>(226,203)</u>	<u>(261,590)</u>	<u>88,509</u>
<u>\$ (226,203)</u>	<u>\$ 3,652,556</u>	<u>\$ 3,771,043</u>

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Operating Program	Non-Dues Program	Capital Program	Attorney's Council Program
<u>Unrestricted Net Assets</u>				
Support				
Membership Dues	\$ 1,402,628	\$ -	\$ -	\$ 15,305
Registrations	566,469	-	-	(1,412)
Product Sales	215,166	-	-	-
Services Provided	89,646	-	-	-
Advertising & Sponsorships	45,291	-	-	-
Parking Lot Income	-	-	67,510	-
Investment Earnings	(32,192)	-	3	2
Other Rental Income	26,819	-	-	-
Royalties	20,005	-	-	-
Administrative Fees	12,000	-	-	-
Other Income	13,160	-	-	-
Total Support	2,358,992	-	67,513	13,895
Expenses				
Benefits	309,626	-	-	-
Dues	53,321	-	-	13,225
Web Page & Marketing	4,044	-	-	-
Conferences & Meetings	455,709	-	-	1,110
Depreciation	-	-	22,583	-
Insurance	12,618	-	-	-
Policy Expenses	36,471	-	-	-
Office Expenses	52,618	-	17,637	382
Other Expenses	9,296	1,590	15	92
Administrative Fees	-	-	-	-
Publication Expenses	10,776	-	-	-
Contract Services and Maint.	98,434	-	40,991	-
Salaries	1,388,136	-	-	-
Staff Training	2,560	-	-	-
Grant Funded Expenses	21,313	-	-	-
Travel	82,533	-	-	-
Utilities	24,413	-	-	-
Interest and Loan Costs	55,937	-	-	-
Total Expenses	2,617,805	1,590	81,226	14,809
Transfers from Temporarily Restricted Net Assets	-	-	-	-
Increase (Decrease) in Unrestricted Net Assets	(258,813)	(1,590)	(13,713)	(914)
<u>Temporarily Restricted Net Assets</u>				
Grants and Donations	-	-	-	-
Transfer from Unrestricted Net Assets	-	-	-	-
Change in Net Assets	(258,813)	(1,590)	(13,713)	(914)
Net Assets (Deficit) - Beginning	(313,567)	3,354	546,098	3,758
Net Assets (Deficit) - Ending	\$ (572,380)	\$ 1,764	\$ 532,385	\$ 2,844

See Accompanying Notes to Financial Statements

Legal Services		TOTALS	
Program	2016	2015	
\$ -	\$ 1,417,933	\$ 1,387,347	
-	565,057	474,682	
-	215,166	203,635	
225,384	315,030	433,285	
-	45,291	48,263	
-	67,510	55,037	
6	(32,181)	121,410	
-	26,819	21,620	
-	20,005	16,061	
-	12,000	9,000	
-	13,160	10,000	
<u>225,390</u>	<u>2,665,790</u>	<u>2,780,340</u>	
48,932	358,558	323,023	
325	66,871	61,345	
-	4,044	13,063	
-	456,819	441,686	
-	22,583	22,589	
3,440	16,058	16,844	
-	36,471	34,315	
16,823	87,460	75,651	
-	10,993	17,428	
12,000	12,000	9,000	
129	10,905	5,966	
5,369	144,794	185,860	
212,637	1,600,773	1,520,409	
79	2,639	325	
-	21,313	6,348	
(62)	82,471	91,254	
787	25,200	24,767	
-	55,937	124,398	
<u>300,459</u>	<u>3,015,889</u>	<u>2,974,271</u>	
-	-	100,000	
(75,069)	(350,099)	(93,931)	
-	-	100,000	
-	-	(100,000)	
(75,069)	(350,099)	(93,931)	
<u>(151,134)</u>	<u>88,509</u>	<u>182,440</u>	
<u>\$ (226,203)</u>	<u>\$ (261,590)</u>	<u>\$ 88,509</u>	

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF CASH FLOWS

**Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)**

	Operating Program	Non-Dues Program	Capital Program	Attorney's Program
Cash Flows from Operating Activities				
Increase (decrease) in unrestricted net assets	\$ (258,813)	\$ (1,590)	\$ (13,713)	\$ (914)
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities:				
Depreciation expense	-	-	22,583	-
Amortization expense	3,576	-	-	-
(Increase) Decrease in:				
Accounts Receivable	5,999	-	-	-
Prepaid Expenses	(12,267)	-	-	-
Due from (to) Other Programs	(6,931)	-	1,233	63
Increase (Decrease) in:				
Accounts Payable	(7,860)	-	-	-
Deferred Revenue	92,058	-	-	(7,740)
Change in Accrued Interest Payable	2,158	-	-	-
Other Accrued Liabilities	5	-	-	-
Accrued Compensated Absences	(4,456)	-	-	-
Net Cash provided (used) by Operating Activities	(186,531)	(1,590)	10,103	(8,591)
Cash Flows from (used by) Financing Activities:				
Repayments of Northern Trust Company Note	(48,400)	-	-	-
Investments in Life Insurance	32,545	-	-	-
Investments in Certificates of Deposit	(81)	-	-	-
Net Investment in Colostrust	(269)	-	-	-
Proceeds from Penn Mutual Life Insurance Loans	199,999	-	-	-
Proceeds from Penn Mutual Loans Applied to Accd. Int.	5,849	-	-	-
Net Cash provided (used) by Financing Activities	189,643	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	3,112	(1,590)	10,103	(8,591)
Cash and Cash Equivalents - Beginning	192,642	3,354	1,925	11,498
Cash and Cash Equivalents - Ending	\$ 195,754	\$ 1,764	\$ 12,028	\$ 2,907

INTEREST EXPENSE

During the year the Association paid the following interest on the outstanding Northern Trust loan	\$ 44,431
Accrued interest on life insurance loans	7,930
Amortization of Northern Trust issuance costs	3,576
Total interest expense	\$ 55,937

See Accompanying Notes to Financial Statements

Legal Services Program	TOTALS	
	2016	2015
\$ (75,069)	\$ (350,099)	\$ (93,931)
-	22,583	22,589
-	3,576	3,576
98,812	104,811	(150,979)
-	(12,267)	3,333
5,635	-	-
-	(7,860)	12,366
-	84,318	46,475
-	2,158	22,798
-	5	71
-	(4,456)	6,782
<u>29,378</u>	<u>(157,231)</u>	<u>(126,920)</u>
-	(48,400)	(48,400)
-	32,545	(121,231)
-	(81)	(81)
-	(269)	(90)
-	199,999	150,000
-	5,849	53,311
<u>-</u>	<u>189,643</u>	<u>33,509</u>
29,378	32,412	(93,411)
<u>200</u>	<u>209,619</u>	<u>303,030</u>
<u>\$ 29,578</u>	<u>\$ 242,031</u>	<u>\$ 209,619</u>

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: NATURE OF THE ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado Association of School Boards ("CASB") is an instrumentality of local school districts whose primary focus is to provide assistance to its member districts. CASB's revenue is primarily from member dues.

Reporting Entity

While CASB receives dues from Colorado school districts, and in certain aspects resembles a political subdivision as defined by Colorado Revised Statutes, it operates as a non-profit entity created solely for the benefit of local school districts rather than as a governmental entity itself and as such is not required to follow the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the reporting entity.

In 2004, The Colorado Boards of Education Self-Funded Trust, Inc. ("BEST") was created to operate and serve as a tax exempt voluntary employee benefit association ("VEBA") trust under the meaning of Section 501(c)(9) of the Internal Revenue Code and as a Multiple Employer Health Trust pursuant to Colorado Revised Statutes Section 10-3-903.5(7). BEST provides health insurance related services to multiple school districts throughout Colorado. While there is no common control between CASB and BEST, numerous financial transactions occur between the two entities including office space provided by CASB, certain shared payroll activities and other business transactions. In addition, CASB had provided financial resources related to the startup and ongoing operations of BEST and carried a receivable on its books related to that funding. As such, transactions and balances between CASB and BEST are identified as such in the financial statement presentation.

Basis of Presentation - Fund Accounting

The financial statements of the Association utilize fund accounting and are maintained on the accrual basis. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Programs Presented

Operating Program – This program accounts for all operations of the Association, except for those accounted for in another program.

Non-Dues Program – This program accounts for non-dues revenue that can be used without restriction. These programs are generally used for expenses for which school district dues cannot be used, such as for campaign contributions.

Capital Program – These programs are used primarily for property and equipment purchases.

Attorney's Program – This program is used to account for the Colorado Association of School Board Attorneys. This is a program created by the Association, however it does not have separate legal status. The members of this association pay dues outside of the normal dues structure of the Colorado Association of School Boards.

Legal Services Program – This was developed to provide fee based legal services to member Districts above and beyond those provided through membership dues.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: NATURE OF THE ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

Pursuant to a private letter ruling dated November 10, 1990, no provision has been made for income taxes since the association is membership organization formed by political subdivisions of the State of Colorado and as such is exempt from income taxes under Section 115 of the Internal Revenue Code.

Assets, Liabilities and Net Assets

Cash and Cash Equivalents –The Association considers all of its cash and investments with maturities of three months or less as cash and cash equivalents based on their liquidity.

Accounts Receivable – Accounts receivable consist primarily of member dues for the 2016-17 fiscal year that had not been collected as of June 30, 2016.

Property and Equipment – Property and equipment is recorded at cost upon acquisition. Donated capital assets are capitalized at their fair market value as of the date of donation. Depreciation is calculated utilizing the straight-line method over the estimated useful lives of the respective depreciable assets as follows:

	<u>Years</u>
Building	20
Office furniture and equipment	5 – 7

Expenditures for maintenance and repairs are charged to operations as incurred. Property replacements and betterments that extend the life of the assets and have a value of \$5,000 or more are capitalized and subsequently depreciated. When assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations. To date the Association has not received any donated assets.

Deferred Revenue – Deferred Revenue consists primarily of member dues for the 2016-17 fiscal year that had been billed prior to June 30, 2016.

Net Assets – Net Assets are classified into three components dependent upon the level of restriction as to use. Permanently restricted net assets represent assets that cannot be utilized for any purpose and must be maintained in perpetuity. Temporarily restricted net assets represent those funds that may be utilized provided the underlying requirements are met. Unrestricted net assets represent those resources that may be used for any purpose.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: NATURE OF THE ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires the use of estimates. Future actual results may vary from the estimates presented.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

NOTE 2: CASH AND INVESTMENTS

Deposits

The Association's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. The Association, while not a governmental entity, is allowed to participate in PDPA by statute. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At June 30, 2016, all of the Association's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA.

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Collateralized	141,468	72,825
Petty Cash	-	64
Total Deposits	<u>\$ 391,468</u>	<u>\$ 322,889</u>

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments – The Association had invested \$72,656 in the Colorado Government Liquid Asset Trust (Colotrust) investment vehicle established for local government entities in Colorado to pool surplus Funds. The Trust operates similarly to a money market Fund and each share is equal in value to \$1.00. Investments of the Trust consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to the Trust in connection with the direct investment and withdrawal functions of the Trust. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the Trust.

Other Investments - During the 2012 fiscal year, the Association borrowed against its real property and utilized the proceeds to purchase fully funded life insurance policies on certain employees (Note 5 – The Northern Trust). This policies have been purchased through The Penn Mutual Life Insurance Company with payment on the policies subject to risk related to the financial health of Penn Mutual. The Association is the primary beneficiary of those policies. The policies have a cash surrender value of \$1,216,455 at June 30, 2016. As of June 30, 2016, the Association had borrowed \$985,672 against the cash value of the policies for cash flow purposes. As the cash surrender value life insurance is not a liquid investment in and of itself, the value has not been shown as a current asset in the financial statements. This does not preclude the Association from additional borrowing against the cash surrender value in the future. For the year ended June 30, 2016, the Association recognized \$(32,545) of investment earnings on the value of the outstanding policies. A summary of this investments activity is as follows:

	Cash	Life Ins.	Loan Accrd	Cash Surr.
	<u>Value</u>	<u>Loans</u>	<u>Interest</u>	<u>Value</u>
Beginning, July 1	\$ 1,249,000	\$ (779,824)	\$ (33,719)	\$ 435,457
Advances	-	(199,999)	(7,930)	(207,929)
Repayments	-	(5,849)	5,849	-
Investment Earnings	<u>(32,545)</u>	<u>-</u>	<u>-</u>	<u>(32,545)</u>
Ending, June 30	<u>\$ 1,216,455</u>	<u>\$ (985,672)</u>	<u>\$ (35,800)</u>	<u>\$ 194,983</u>

In addition, as part of The Northern Trust loan agreement, the Association was required to establish a certificate of deposit as additional security for the loan. The certificate must maintain a balance of at least \$80,000 and cannot be pledged as collateral to any lender. Additionally, monthly statements demonstrating the account balance must be provided to The Northern Trust Company. The balance of the certificate of deposit was \$80,858 at June 30, 2016 with \$80,000 shown as a restricted investment in the noncurrent asset section of the financial statements.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

The cash and investment balances by type and financial statement presentation are as follows:

	Cash	Investments	Long-Term Investments	Restricted Investments	Total
Bank Deposits	\$ 241,967	\$ -	\$ -	\$ -	\$ 241,967
Certificates of Deposit	-	858	-	80,000	80,858
Petty Cash	64	-	-	-	64
Local Government Pools	-	72,656	-	-	72,656
Cash Value Life Insurance	-	-	1,216,455	-	1,216,455
Total	<u>\$ 242,031</u>	<u>\$ 73,514</u>	<u>\$ 1,216,455</u>	<u>\$ 80,000</u>	<u>\$ 1,612,000</u>

The Associations other investment returns consist of interest on bank deposits and Colotrust accounts. There were no realized or unrealized gains or losses during the year for those accounts.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at year end consist of the following:

Operating Fund

Member and Other Routine Receivables	\$ 1,374,850
COBRA and Health Insurance Receivables (Prepay)	(8,290)
BEST Health Plan Set-up Charges (Non-current)	<u>101,772</u>
Total Operating Fund	1,468,332

Legal Services Program

Client Receivables	<u>18,947</u>
Total Accounts Receivable	<u>\$ 1,487,279</u>

Based on prior collection experience, the Association has elected to not record an allowance against the receivable balances at year end.

NOTE 4: DEPRECIATION

Depreciation expense for the year ended June 30, 2016 was \$22,583.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: NOTES PAYABLE

The Northern Trust Term Note Payable

On March 9, 2012, the Association entered into a \$1,210,000 loan agreement secured by the Association's real property and facility located at 1200 Grant Street, Denver, CO. The real property and facility has a net carrying value of \$523,176 and is shown as both land and building assets on the statement of financial position. The loan matures on March 9, 2017 and bears interest at a variable rate based on the Northern Trust Prime Rate plus .5%. The effective rate was 4.00% as of June 30, 2016. The loan required 24 monthly payments of accrued interest beginning April, 2012. Beginning in April 2014, the loan requires 35 monthly principal and interest payments of \$4,033 and a final balloon payment of \$1,071,951 on March 9, 2017. Interest is computed on a 365/360 basis. The Association has incurred \$44,431 of interest charges for the fiscal year ended June 30, 2016 including \$3,669 unpaid as of the end of the fiscal year.

Scheduled payments on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 1,101,100</u>	<u>\$ 36,032</u>	<u>\$ 1,137,132</u>

The Association incurred loan fees of \$17,881 related to the issuance of the above note which are amortized over the term of the note. For the current fiscal year, the Association has amortized \$3,576 of this cost leaving a remaining balance of \$2,683.

Life Insurance Loans

The Association has borrowed against the cash value life insurance policies as discussed in Note 2. As of July 1, 2015, the Association had borrowed \$779,824 against the policies and owed \$33,719 of accrued interest. In April 2016, the Association borrowed an additional \$199,999 against the policies. During the year, interest of \$5,849 was automatically paid through automatic draws against the available surrender value.

There are no set repayment terms. The loans accrue interest at 6% and will be offset by earnings on the cash surrender value. Security for the loans are the underlying policies, with death benefits reduced for any outstanding loan amounts.

The Association has utilized \$80,000 of these funds to purchase the restricted certificate of deposit required by The Northern Trust Company loan agreement described above and in Note 2 with remaining amount utilized for cash flow purposes.

For the year ended June 30, 2016, the Association incurred loan interest expense of \$7,930 of which \$35,800 was unpaid as of the end of the fiscal year.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN

Plan Description. The Association contributes to the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the Association are members of the SDTF, Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Basis of Accounting for the SDTF. The financial statements of the SDTF are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which the employer pays compensation to the member. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The SDTF plan investments are presented at fair value except for short-term investments, which are recorded at cost, which approximates fair value.

Funding Policy. Plan members and the Association are required to contribute to the SDTF at a rate set by statute. The contribution requirements of plan members and the Association are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8% and for the Association is 18.35% of covered salary through December 31, 2015 and 19.25% from January 1, 2016 through June 30, 2016. The employer contribution rate includes the Amortized Equalization Disbursement (AED) and Supplemental AED rates as required by statute. A portion of the Association's contribution (1.02% of covered salary July 1, 2015 through June 30, 2016) is allocated for the Health Care Trust Fund (See Note 7). The Association's contribution to the SDTF for the years ending June 30, 2016, 2015 and 2014 were \$291,548, \$276,526, and \$231,599, respectively, equal to their required contributions for those years.

Net Pension Liability. The State Division Trust Fund provides benefits for government employers and is required to report their financial results in accordance with standards established by the Government Accounting Standards Board. Effective for the year ended December 31, 2014, PERA was required to report any net pension liability on the face of its financial statements. Government employers are similarly required to report their proportionate share of a multi-employer defined benefit pension plan's net pension liability and related long-term items. The Association's proportionate share of the net pension liability as of December 31, 2015 was \$5,856,613. PERA anticipates that this obligation will be fully funded through existing contributions including scheduled employer contribution increases of .9% annually through January 2017. As the Association's financial statements are presented in accordance with standards established by the Financial Accounting Standards Board instead of the Governmental Accounting Standards Board, the reporting of the proportionate share if the pension obligations is not required.

A schedule of current and past employer rates is as follows:

<u>Fiscal</u> <u>Year</u>	<u>July 1 -</u> <u>December 31</u>	<u>January 1 -</u> <u>June 30</u>
2016	18.35%	19.25%
2015	17.45%	18.35%
2014	16.55%	17.45%

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The Association contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Basis of Accounting for the HCTF. The financial statements of the HCTF are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which the employer pays compensation to the member. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The HCTF plan investments are presented at fair value except for short-term investments, which are recorded at cost, which approximates fair value.

Funding Policy. The Association is required to contribute at a rate of 1.02% of covered salary from July 1, 2015 through June 30, 2016 for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Association are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. The Association's contributions to HCTF for the years ending June 30, 2016, 2015 and 2014 were \$15,231, \$14,173, and \$12,835, respectively, equal to their required contributions for those years. The employer contribution rate did not change during any of the years presented.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: NET ASSETS AND RESTRICTIONS

Temporarily Restricted Net Assets

The Association has temporarily restricted net assets of \$80,000 pursuant to The Northern Trust Company loan agreement described in Note 5. These assets will be released from restriction upon repayment of the loan.

Net Asset Deficits

The Association has deficit net assets in its Operating and Legal Services activities. The Association is attempting to expand the Legal Services operation to generate sufficient resources to recover this deficit and repay the related advances from the Operations activity.

NOTE 9: TAX, SPENDING, AND DEBT LIMITATIONS

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayers' Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all governments.

The Association's management does not believe it is required to comply with the provisions of TABOR as a non-profit entity.

NOTE 10: FUNCTIONAL EXPENSES

The costs associated with the Association's program and supporting services are summarized as follows:

Program Services	\$ 2,132,254
General and Administrative	883,635
Total Expenses	<u>\$ 3,015,889</u>

NOTE 11: COMMITMENTS

On December 9, 2015, the Association entered into a purchase and sale agreement for their property at 1200 and 1234 Grant Street. The original selling price was \$6,000,000 subject to proration and adjustment as provided in the agreement. The contract required three non-refundable payments totaling \$700,000 to be paid into escrow during the due diligence period, all of which have been made. Closing is scheduled for February 17, 2017.

NOTE 12: SUBSEQUENT EVENTS

The effect of events that occurred subsequent to the year ended June 30, 2016 and through September 9, 2016, the date that the financial statements were available to be issued, have been evaluated. During this period, there have been no material events that would require recognition in the June 30, 2016 financial statements or disclosure in the notes to the financial statements.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 13: CASH RESERVE POLICY

The Colorado Association of School Boards Board of Directors has adopted a budget cash reserve policy requiring the Executive Director to establish cash reserves at all times equal to or exceeding three months operating expenses. Operating expenses are defined as the ordinary expenses incurred to operate and do the business of CASB during the previous fiscal year. Operating expenses shall not include expenses incurred to put on conferences or events for members, compensation or fees paid to independent consultants for services provided to CASB members, or other similar costs or expenses not ordinarily incurred in the day-to-day operations of CASB.

In June of each fiscal year, the Executive Director shall present to the Board a detailed calculation of the reserves to be maintained under this policy for the next fiscal year. Any budget presented to the board for approval that projects cash reserves at any time during the fiscal year in amounts less than the requirements of the policy shall include a resolution for the Board to approve the deficiency in the cash reserves projected by the budget.

If the year-end audit shows cash reserves at any time during the fiscal year being audited to be less than the amount required by the policy or authorized by the Board at the time it adopted the budget for that fiscal year, the Board may approve the deficiency at the time it accepts the audit. The following is the reserve calculation as of June 30, 2016 as interpreted by management:

	<u>Operating</u> <u>Fund</u>	<u>Non-Dues</u> <u>Fund</u>	<u>Total</u>
<u>Current Assets</u>			
Cash	\$ 195,754	\$ 1,764	\$ 197,518
Investments	72,656	-	72,656
Accounts Receivable	1,468,332	-	1,468,332
Prepaid Expenses	27,420	-	27,420
Due from LSP	<u>277,608</u>	<u>-</u>	<u>277,608</u>
Total Current Assets	<u>2,041,770</u>	<u>1,764</u>	<u>2,043,534</u>
<u>Current Liabilities</u>			
Accounts Payable	(10,739)	-	(10,739)
Deferred Revenue	(1,650,902)	-	(1,650,902)
Accrued Interest on Northern Trust	<u>(3,669)</u>	<u>-</u>	<u>(3,669)</u>
Total Current Liabilities	<u>(1,665,310)</u>	<u>-</u>	<u>(1,665,310)</u>
Current Cash Reserves	<u>\$ 376,460</u>	<u>\$ 1,764</u>	378,224
3 Month Operating Reserve Requirement			<u>514,527</u>
Cash Reserve Excess (Shortfall)			<u>\$ (136,303)</u>

COLORADO ASSOCIATION OF SCHOOL BOARDS

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM

Year Ended June 30, 2016

	Program Expenses				
	Conferences	Convention	Member Services	Policy Services	Communications
Unrestricted Net Assets					
Support					
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Registrations	124,100	429,910	12,459	-	-
Product Sales	-	-	-	210,166	5,000
Services Provided	-	-	89,646	-	-
Advertising & Sponsorships	-	43,325	-	-	-
Parking Lot Income	-	-	-	-	-
Investment Earnings	-	-	-	-	-
Other Rental Income	-	-	-	-	-
Royalties	-	-	-	-	-
Administrative Fees	-	-	-	-	-
Other Income	-	-	-	-	-
Total Support	124,100	473,235	102,105	210,166	5,000
Expenses					
Benefits	12,996	10,800	112,829	64,656	22,851
Dues	-	-	680	374	-
Web Page & Marketing	-	-	-	-	4,044
Conferences & Meetings	97,309	338,873	8,370	-	-
Depreciation	-	-	-	-	-
Insurance	-	-	2,293	-	-
Policy Expenses	-	-	6,030	30,441	-
Office Expenses	395	-	13,415	2,839	672
Other Expenses	-	-	7,064	-	800
Administrative Fees	-	-	-	-	-
Publication Expenses	-	-	48	-	10,718
Contract Services and Maint.	-	-	15,122	-	2,388
Salaries	60,871	51,901	512,054	306,825	92,378
Staff Training	-	-	2,561	49	-
Grant Funded Expenses	-	-	-	-	-
Travel	72	80	21,894	514	190
Utilities	-	-	-	-	-
Interest and Loan Costs	-	-	-	-	-
Total Expenses	171,643	401,654	702,360	405,698	134,041
Change in Net Assets	\$ (47,543)	\$ 71,581	\$ (600,255)	\$ (195,532)	\$ (129,041)

See Independent Auditors' Report

Non-Dues	Program Expenses			General & Administrative			Total
	Attorney's Council	Legal Services	Total	Operating Fund	Capital Fund	Total	
\$ -	\$ 15,305	\$ -	\$ 15,305	\$ 1,402,628	\$ -	\$ 1,402,628	\$ 1,417,933
-	(1,412)	-	565,057	-	-	-	565,057
-	-	-	215,166	-	-	-	215,166
-	-	225,384	315,030	-	-	-	315,030
-	-	-	43,325	1,966	-	1,966	45,291
-	-	-	-	-	67,510	67,510	67,510
-	2	6	8	(32,192)	3	(32,189)	(32,181)
-	-	-	-	26,819	-	26,819	26,819
-	-	-	-	20,005	-	20,005	20,005
-	-	-	-	12,000	-	12,000	12,000
-	-	-	-	13,160	-	13,160	13,160
-	13,895	225,390	1,153,891	1,444,386	67,513	1,511,899	2,665,790
-	-	48,932	273,064	85,494	-	85,494	358,558
-	13,225	325	14,604	52,267	-	52,267	66,871
-	-	-	4,044	-	-	-	4,044
-	1,110	-	445,662	11,157	-	11,157	456,819
-	-	-	-	-	22,583	22,583	22,583
-	-	3,440	5,733	10,325	-	10,325	16,058
-	-	-	36,471	-	-	-	36,471
-	382	16,823	34,526	35,297	17,637	52,934	87,460
1,590	92	-	9,546	1,432	15	1,447	10,993
-	-	12,000	12,000	-	-	-	12,000
-	-	129	10,895	10	-	10	10,905
-	-	5,369	22,879	80,924	40,991	121,915	144,794
-	-	212,637	1,236,666	364,107	-	364,107	1,600,773
-	-	79	2,689	(50)	-	(50)	2,639
-	-	-	-	21,313	-	21,313	21,313
-	-	(62)	22,688	59,783	-	59,783	82,471
-	-	787	787	24,413	-	24,413	25,200
-	-	-	-	55,937	-	55,937	55,937
1,590	14,809	300,459	2,132,254	802,409	81,226	883,635	3,015,889
<u>\$ (1,590)</u>	<u>\$ (914)</u>	<u>\$ (75,069)</u>	<u>\$ (978,363)</u>	<u>\$ 641,977</u>	<u>\$ (13,713)</u>	<u>\$ 628,264</u>	<u>\$ (350,099)</u>