

**COLORADO ASSOCIATION OF
SCHOOL BOARDS**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**For the Year Ended
June 30, 2019**

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FINANCIAL SECTION

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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 15 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.

Mayberry + Company, LLC

Englewood, Colorado

August 28, 2019

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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, 2019.

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF FINANCIAL POSITION

June 30, 2019

(With Comparative Totals for June 30, 2018)

	Operating Program	Non-Dues Program	Capital Program	Attorney's Council Program	Executive Solutions
Assets					
Current Assets					
Cash	\$ (134,774)	\$ 1,516	\$ -	\$ 23,473	\$ 5,000
Investments	76,273	-	658,761	-	-
Accounts Receivable	1,643,824	-	-	-	348
Prepaid Expenses	29,894	-	-	-	-
Note Receivable	-	-	696,176	-	-
Total Current Assets	<u>1,615,217</u>	<u>1,516</u>	<u>1,354,937</u>	<u>23,473</u>	<u>5,348</u>
Property & Equipment					
Land	-	-	318,313	-	-
Building	-	-	1,280,607	-	-
Office Furniture and Equipment	-	-	45,612	-	-
Total Property & Equipment	-	-	1,644,532	-	-
Accumulated Depreciation	-	-	(145,433)	-	-
Property & Equipment - Net	-	-	1,499,099	-	-
Noncurrent Assets					
Long Term Investments	-	-	1,510,583	-	-
Total Assets	<u>\$ 1,615,217</u>	<u>\$ 1,516</u>	<u>\$ 4,364,619</u>	<u>\$ 23,473</u>	<u>\$ 5,348</u>
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable	\$ 13,216	\$ -	\$ -	\$ -	\$ 4,848
Deferred Revenue	1,744,941	-	-	19,345	-
Total Current Liabilities	<u>1,758,157</u>	<u>-</u>	<u>-</u>	<u>19,345</u>	<u>4,848</u>
Long-Term Liabilities					
Accrued Compensated Absences	88,590	-	-	-	-
Total Liabilities	<u>1,846,747</u>	<u>-</u>	<u>-</u>	<u>19,345</u>	<u>4,848</u>
Net Assets					
Unrestricted	(231,530)	1,516	4,364,619	4,128	500
Total Liabilities and Net Assets	<u>\$ 1,615,217</u>	<u>\$ 1,516</u>	<u>\$ 4,364,619</u>	<u>\$ 23,473</u>	<u>\$ 5,348</u>

See Accompanying Notes to Financial Statements
(Continued)

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF FINANCIAL POSITION

June 30, 2019

(With Comparative Totals for June 30, 2018)

(Continued)

	TOTALS	
	2019	2018
Assets		
Current Assets		
Cash	\$ (104,785)	\$ 220,797
Investments	735,034	855,475
Accounts Receivable	1,644,172	1,552,812
Prepaid Expenses	29,894	25,840
Note Receivable	696,176	-
Total Current Assets	<u>3,000,491</u>	<u>2,654,924</u>
Property & Equipment		
Land	318,313	318,313
Building	1,280,607	2,044,331
Office Furniture and Equipment	45,612	48,903
Total Property & Equipment	<u>1,644,532</u>	<u>2,411,547</u>
Accumulated Depreciation	<u>(145,433)</u>	<u>(159,460)</u>
Property & Equipment - Net	<u>1,499,099</u>	<u>2,252,087</u>
Noncurrent Assets		
Long Term Investments	<u>1,510,583</u>	<u>1,457,845</u>
Total Assets	<u>\$ 6,010,173</u>	<u>\$ 6,364,856</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 18,064	\$ 30,926
Deferred Revenue	1,764,286	1,683,543
Total Current Liabilities	<u>1,782,350</u>	<u>1,714,469</u>
Long-Term Liabilities		
Accrued Compensated Absences	<u>88,590</u>	<u>138,590</u>
Total Liabilities	<u>1,870,940</u>	<u>1,853,059</u>
Net Assets		
Unrestricted	<u>4,139,233</u>	<u>4,511,797</u>
Total Liabilities and Net Assets	<u>\$ 6,010,173</u>	<u>\$ 6,364,856</u>

See Accompanying Notes to Financial Statements

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

	Operating Program	Non-Dues Program	Capital Program	Attorney's Council Program	Executive Solutions
Unrestricted Net Assets					
Support					
Membership Dues	\$ 1,503,904	\$ -	\$ -	\$ 19,190	\$ -
Registrations	509,522	-	-	(1,802)	-
Product Sales	224,310	-	-	-	-
Services Provided	118,246	-	-	-	-
Advertising & Sponsorships	55,686	-	-	-	-
Investment Earnings	1,832	1	66,530	3	-
Other Rental Income	72,564	-	-	-	-
Royalties	10,652	-	-	-	-
Superintendent Search Revenue	-	-	-	-	29,700
Other Income	21,399	-	-	-	500
Gain on Sale of Capital Assets	-	-	85,049	-	-
Transfers from Other Programs	-	-	-	-	-
Total Support	2,518,115	1	151,579	17,391	30,200
Expenses					
Benefits	344,693	-	-	-	-
Dues	62,799	-	-	16,110	-
Web Page & Marketing	5,813	-	-	-	-
Conferences & Meetings	553,134	-	-	587	-
Depreciation	-	-	64,492	-	-
Insurance	12,116	-	-	-	-
Policy Expenses	39,740	-	-	-	-
Office Expenses	50,315	-	15,481	144	-
Other Expenses	45,444	10	-	-	-
Publication Expenses	2,233	-	-	-	-
Contract Services and Maint.	247,892	-	75,962	-	29,700
Salaries	1,399,863	-	-	-	-
Staff Training	2,661	-	-	-	-
Travel	94,869	-	-	-	-
Utilities	25,792	-	-	-	-
Transfer to Other Programs	-	-	-	-	-
Total Expenses	2,887,364	10	155,935	16,841	29,700
Change in Net Assets	(369,249)	(9)	(4,356)	550	500
Net Assets (Deficit) - Beginning	137,719	1,525	4,368,975	3,578	-
Net Assets (Deficit) - Ending	\$ (231,530)	\$ 1,516	\$ 4,364,619	\$ 4,128	\$ 500

See Accompanying Notes to Financial Statements
(Continued)

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

(Continued)

	TOTALS	
	2019	2018
<u>Unrestricted Net Assets</u>		
Support		
Membership Dues	\$ 1,523,094	\$ 1,479,835
Registrations	507,720	551,853
Product Sales	224,310	217,160
Services Provided	118,246	61,437
Advertising & Sponsorships	55,686	41,472
Investment Earnings	68,366	138,017
Other Rental Income	72,564	69,308
Royalties	10,652	24,604
Superintendent Search Revenue	29,700	-
Other Income	21,899	5,604
Gain on Sale of Capital Assets	85,049	-
Transfers from Other Programs	-	80,913
Total Support	<u>2,717,286</u>	<u>2,670,203</u>
Expenses		
Benefits	344,693	292,896
Dues	78,909	77,004
Web Page & Marketing	5,813	1,397
Conferences & Meetings	553,721	484,175
Depreciation	64,492	85,259
Insurance	12,116	9,133
Policy Expenses	39,740	34,203
Office Expenses	65,940	109,756
Other Expenses	45,454	54,308
Publication Expenses	2,233	15,399
Contract Services and Maint.	353,554	172,762
Salaries	1,399,863	1,274,454
Staff Training	2,661	3,897
Travel	94,869	108,514
Utilities	25,792	22,711
Transfer to Other Programs	-	80,913
Total Expenses	<u>3,089,850</u>	<u>2,826,781</u>
Change in Net Assets	(372,564)	(156,578)
Net Assets (Deficit) - Beginning	<u>4,511,797</u>	<u>4,668,375</u>
Net Assets (Deficit) - Ending	<u>\$ 4,139,233</u>	<u>\$ 4,511,797</u>

See Accompanying Notes to Financial Statements

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

	Operating Program	Non-Dues Program	Capital Program	Attorney's Program	Executive Solutions
Cash Flows from Operating Activities					
Increase (decrease) in unrestricted net assets	\$ (369,249)	\$ (9)	\$ (4,356)	\$ 550	\$ 500
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities:					
Depreciation expense	-	-	64,492	-	-
Gain from capital asset sales	-	-	(85,049)	-	-
(Increase) Decrease in:					
Accounts Receivable	(91,012)	-	-	-	(348)
Prepaid Expenses	(4,054)	-	-	-	-
Due from (to) Other Programs	122,231	-	(122,199)	(32)	-
Increase (Decrease) in:					
Accounts Payable	(17,710)	-	-	-	4,848
Deferred Revenue	76,107	-	-	4,636	-
Accrued Compensated Absences	(50,000)	-	-	-	-
Net Cash provided (used) by Operating Activities	<u>(333,687)</u>	<u>(9)</u>	<u>(147,112)</u>	<u>5,154</u>	<u>5,000</u>
Cash Flows from (used by) Financing Activities:					
Principal Repayments of Note Receivable - CASE	-	-	3,823	-	-
Net Investment in Life Insurance	-	-	(52,738)	-	-
Investments in Certificates of Deposit	-	-	-	-	-
Net Investment in Investment Accounts	<u>(1,832)</u>	<u>-</u>	<u>122,273</u>	<u>-</u>	<u>-</u>
Net Cash provided (used) by Financing Activities	<u>(1,832)</u>	<u>-</u>	<u>73,358</u>	<u>-</u>	<u>-</u>
Cash Flows Used by Investing Activities:					
Proceeds from Sale of Assets	-	-	97,859	-	-
Purchase of Assets	<u>-</u>	<u>-</u>	<u>(24,313)</u>	<u>-</u>	<u>-</u>
Net Cash provided (used) by Investing Activities	<u>-</u>	<u>-</u>	<u>73,546</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(335,519)	(9)	(208)	5,154	5,000
Cash and Cash Equivalents - Beginning	<u>200,745</u>	<u>1,525</u>	<u>208</u>	<u>18,319</u>	<u>-</u>
Cash and Cash Equivalents - Ending	<u>\$ (134,774)</u>	<u>\$ 1,516</u>	<u>\$ -</u>	<u>\$ 23,473</u>	<u>\$ 5,000</u>

See Accompanying Notes to Financial Statements
(Continued)

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

(Continued)

	<u>TOTALS</u>	
	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Increase (decrease) in unrestricted net assets	\$ (372,564)	\$ (156,578)
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities:		
Depreciation expense	64,492	85,259
Gain from capital asset sales	(85,049)	-
(Increase) Decrease in:		
Accounts Receivable	(91,360)	184,483
Prepaid Expenses	(4,054)	(10,197)
Due from (to) Other Programs	-	-
Increase (Decrease) in:		
Accounts Payable	(12,862)	10,552
Deferred Revenue	80,743	87,683
Accrued Compensated Absences	(50,000)	38,580
Net Cash provided (used) by Operating Activities	<u>(470,654)</u>	<u>239,782</u>
Cash Flows from (used by) Financing Activities:		
Principal Repayments of Note Receivable - CASE	3,823	-
Net Investment in Life Insurance	(52,738)	(127,289)
Investments in Certificates of Deposit	-	80,902
Net Investment in Investment Accounts	<u>120,441</u>	<u>348,335</u>
Net Cash provided (used) by Financing Activities	<u>71,526</u>	<u>301,948</u>
Cash Flows Used by Investing Activities:		
Proceeds from Sale of Assets	97,859	-
Purchase of Assets	<u>(24,313)</u>	<u>(342,274)</u>
Net Cash provided (used) by Investing Activities	<u>73,546</u>	<u>(342,274)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(325,582)	199,456
Cash and Cash Equivalents - Beginning	<u>220,797</u>	<u>21,341</u>
Cash and Cash Equivalents - Ending	<u>\$ (104,785)</u>	<u>\$ 220,797</u>

See Accompanying Notes to Financial Statements

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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 and certain shared 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.

CASB Executive Solutions – This program is used to account for the services that CASB Executive Solutions provides to District’s within the State of Colorado for Superintendent hiring purposes. Executive Solutions is a for-profit Limited Liability Company in which CASB is the sole member.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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 2019-20 fiscal year that had not been collected as of June 30, 2019.

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 2019-20 fiscal year that had been billed prior to June 30, 2019.

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.

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, 2019, from which the summarized information was derived.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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, 2019, 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	\$ 201,216	\$ (104,827)
Petty Cash	-	42
Total Deposits	<u>\$ 201,216</u>	<u>\$ (104,785)</u>

Investments – The Association had invested \$76,273 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 current and former employees. These 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 \$1,513,205 at June 30, 2019. As of June 30, 2019, the Association had repaid all loans against the cash value of the policies. 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, 2019, the Association recognized \$55,360 of investment earnings on the value of the outstanding policies. A summary of this investments activity is as follows:

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

	Cash Value	Life Ins. Loans	Loan Accrd Interest	Cash Surr. Value
Beginning, July 1	\$ 1,457,845	\$ -		\$ 1,457,845
Investment Earnings	<u>52,738</u>	-	-	<u>52,738</u>
Ending, June 30	<u>\$ 1,510,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,510,583</u>

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

	Cash	Investments	Long-Term Investments	Total
Bank Deposits	\$ (104,827)	\$ -	\$ -	\$ (104,827)
Certificates of Deposit	-	658,761	-	658,761
Petty Cash	42	-	-	42
Local Government Pools	-	76,273	-	76,273
Cash Value Life Insurance	-	-	1,510,583	1,510,583
Total	<u>\$ (104,785)</u>	<u>\$ 735,034</u>	<u>\$ 1,510,583</u>	<u>\$ 2,140,832</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	\$ 1,547,454
COBRA and Health Insurance Receivables (Prepay)	(5,054)
BEST Health Plan Set-up Charges (Non-current)	<u>101,772</u>
Total Operating Fund	<u>\$ 1,644,172</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, 2019 was \$64,491.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 5: 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 19.25% of covered salary through December 31, 2018 and 20.15% from January 1, 2019 through June 30, 2019. 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, 2018 through June 30, 2019) is allocated for the Health Care Trust Fund (See Note 7). The Association's contribution to the SDTF for the years ending June 30, 2019, 2018 and 2017 were \$267,353, \$236,835, and \$289,981, 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, 2017, 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, 2018 was \$9,905,779. 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.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 5: DEFINED BENEFIT PENSION PLAN(Continued)

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

January 1st through December 31st	2014¹	2015¹	2016¹	2017¹	2018¹
Employer contribution rate	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	3.80%	4.20%	4.60%	5.00%	5.00%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	3.50%	4.00%	4.50%	5.00%	5.00%
Total employer contribution rate to the SCHDTF	16.43%	17.33%	18.23%	19.13%	19.13%

¹ Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-101(42).

NOTE 6: 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, 2018 through June 30, 2019 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, 2019, 2018 and 2017 were \$13,705, \$11,989, and \$15,021, 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, 2019

NOTE 7: 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 8: FUNCTIONAL EXPENSES

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

Program Services	\$ 1,907,930
General and Administrative	<u>1,231,437</u>
Total Expenses	<u>\$ 3,139,367</u>

NOTE 9: SUBSEQUENT EVENTS

The effect of events that occurred subsequent to the year ended June 30, 2019 and through September 15, 2019, 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, 2019 financial statements or disclosure in the notes to the financial statements.

NOTE 10: COMMERCIAL SALE OF BUILDING

The Association leased the second floor of their building for previous fiscal years and from July 1, 2018 to April 29, 2019. On April 29th the association sold this portion of the building for \$879,003. The Association financed \$700,000 of the loan for the buyer, received \$147,377 in cash, gave the buyer a credit of \$30,076 for previously received funds and paid the closing costs of \$1,550. The historical cost of the building that was disposed as a result of this sale was \$763,725, with a carrying value of \$712,810.

NOTE 11: NOTE RECEIVABLE

The Association issued a note receivable in the amount of \$700,000 for the partial sale of its building. The Association will receive monthly payments of \$4,242, with annual interest of 4% charged from April 2019 until May 2029. After that date, the interest rate will change to the prime rate of interest plus one percent as published on June 1, 2029, as set by the Wall Street Journal. The interest rate cannot exceed two percent of the previous year's rate and shall be capped at a maximum of eight percent. Such payments shall continue until the entire indebtedness evidenced by this Note is fully paid; provided, however, if not sooner paid, the entire principal amount outstanding and accrued interest thereon, shall be due and payable on May 31, 2039. The Association received principal payments of \$3,823 and interest payments of \$4,660 for the fiscal year ended June 30, 2019. The remaining unpaid principal balance of the note is \$696,176 at year end.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 12: 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, 2019 as interpreted by management:

	<u>Operating Fund</u>	<u>Non-Dues Fund</u>	<u>Capital Fund</u>	<u>Total</u>
<u>Current Assets</u>				
Cash	\$ (134,774)	\$ 1,516	\$ -	\$ (133,258)
Investments	76,273	-	658,761	735,034
Accounts Receivable	1,643,824	-	-	1,643,824
Prepaid Expenses	29,894	-	-	29,894
Due from LSP	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>1,615,217</u>	<u>1,516</u>	<u>658,761</u>	<u>2,275,494</u>
<u>Current Liabilities</u>				
Accounts Payable	(13,216)	-	-	(13,216)
Deferred Revenue	<u>(1,744,941)</u>	<u>-</u>	<u>-</u>	<u>(1,744,941)</u>
Total Current Liabilities	<u>(1,758,157)</u>	<u>-</u>	<u>-</u>	<u>(1,758,157)</u>
Current Cash Reserves	<u>\$ (142,940)</u>	<u>\$ 1,516</u>	<u>\$ 658,761</u>	517,337
3 Month Operating Reserve Requirement				<u>457,633</u>
Cash Reserve Excess (Shortfall)				<u>\$ 59,704</u>

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 13: FUTURE CHANGE IN ACCOUNTING STANDARD

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases currently classified as operating leases and makes certain changes to the accounting for lease expenses. The Association anticipates that the adoption of ASU 2016-02 for its leasing arrangements will likely increase the Association's recorded assets and liabilities, increase depreciation and amortization expense, increase interest expense and decrease lease/rental expense. The Association has three such leases that will be required recording for fiscal year 2019-2020.

NOTE 14: BLENDED ENTITY

On April 23, 2018 the Association created CASB Executive Solutions ("Executive Solutions") which is a Limited Liability Company, of which the Association is the only member. Executive Solutions was established to provide consulting and recommendation services for school boards regarding the hiring of superintendents. Executive Solutions has a three member board, with two directors from the Association's appointed by the Association and the third appointed by the other two director's from outside the Association. These three Directors manage Executive Solutions and its business affairs. The Directors have the right to allocate any surplus profits back to the member and no additional contribution of capital is required from the Member. For disclosure purposes Executive Solutions financial statements have been presented with the Association's financial statements. Executive Solutions operates as a single member Limited Liability Company and is considered a disregarded entity for tax purposes.

NOTE 15: CASB FOUNDATION

As a separate legal entity that did not have any material activity for the 2019 fiscal year, the Association has elected to exclude the CASB Foundation from these financial statements. The CASB Foundation operates as a 501(c)(3) non-profit for tax purposes, with the CASB Executive Committee serving as its board.

OTHER SUPPLEMENTARY INFORMATION

COLORADO ASSOCIATION OF SCHOOL BOARDS

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM

Year Ended June 30, 2019

	Program Expenses						Attorney's Council
	Conferences	Convention	Member Services	Policy Services	Communications	Non-Dues	
Unrestricted Net Assets							
Support							
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,190
Registrations	101,519	404,928	3,075	-	-	-	(1,802)
Product Sales	-	-	-	224,310	-	-	-
Services Provided	-	-	53,200	-	-	-	-
Advertising & Sponsorships	-	53,600	-	-	-	-	-
Investment Earnings	-	-	-	-	-	1	3
Other Rental Income	-	-	-	-	-	-	-
Royalties	-	-	-	-	-	-	-
Superintendent Search	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	-	-	-	-
Total Support	101,519	458,528	56,275	224,310	-	1	17,391
Expenses							
Benefits	15,370	13,637	80,991	83,308	22,135	-	-
Dues	-	-	3,309	-	602	-	16,110
Web Page & Marketing	-	-	-	-	5,813	-	-
Conferences & Meetings	120,671	402,329	10,886	-	-	-	587
Depreciation	-	-	-	-	-	-	-
Insurance	-	-	3,479	-	-	-	-
Policy Expenses	-	-	-	39,740	-	-	-
Office Expenses	209	-	13,514	2,741	709	-	144
Other Expenses	-	-	29,482	-	114	10	-
Publication Expenses	-	-	-	-	2,233	-	-
Contract Services and Maint.	-	-	35,302	385	22,492	-	-
Salaries	62,741	62,741	326,582	374,702	93,571	-	-
Staff Training	225	-	2,436	-	-	-	-
Travel	2,311	188	23,053	2,225	1,153	-	-
Utilities	-	-	-	-	-	-	-
Loss on Disposal	-	-	-	-	-	-	-
Total Expenses	201,527	478,895	529,034	503,101	148,822	10	16,841
Change in Net Assets	\$ (100,008)	\$ (20,367)	\$ (472,759)	\$ (278,791)	\$ (148,822)	\$ (9)	\$ 550

See Independent Auditors' Report
(Continued)

COLORADO ASSOCIATION OF SCHOOL BOARDS

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM

Year Ended June 30, 2019

(Continued)

	Program Expenses		General & Administrative			Total
	Executive Solutions	Total	Operating Fund	Capital Fund	Total	
Unrestricted Net Assets						
Support						
Membership Dues	\$ -	\$ 19,190	\$ 1,503,904	\$ -	\$ 1,503,904	\$ 1,523,094
Registrations	-	507,720	-	-	-	507,720
Product Sales	-	224,310	-	-	-	224,310
Services Provided	-	53,200	65,046	-	65,046	118,246
Advertising & Sponsorships	-	53,600	2,086	-	2,086	55,686
Investment Earnings	-	4	1,832	66,530	68,362	68,366
Other Rental Income	-	-	72,564	-	72,564	72,564
Royalties	-	-	10,652	-	10,652	10,652
Superintendent Search	29,700	29,700	-	-	-	29,700
Other Income	500	500	21,399	-	21,399	21,899
Gain on Sale of Capital Assets	-	-	-	134,567	134,567	134,567
Total Support	30,200	888,224	1,677,483	201,097	1,878,580	2,766,804
Expenses						
Benefits	-	215,441	129,252	-	129,252	344,693
Dues	-	20,021	58,888	-	58,888	78,909
Web Page & Marketing	-	5,813	-	-	-	5,813
Conferences & Meetings	-	534,473	19,249	-	19,249	553,722
Depreciation	-	-	-	64,492	64,492	64,492
Insurance	-	3,479	8,637	-	8,637	12,116
Policy Expenses	-	39,740	-	-	-	39,740
Office Expenses	-	17,317	33,142	15,481	48,623	65,940
Other Expenses	-	29,606	15,847	-	15,847	45,453
Publication Expenses	-	2,233	-	-	-	2,233
Contract Services and Maint.	29,700	87,879	189,713	75,962	265,675	353,554
Salaries	-	920,337	479,526	-	479,526	1,399,863
Staff Training	-	2,661	-	-	-	2,661
Travel	-	28,930	65,938	-	65,938	94,868
Utilities	-	-	25,792	-	25,792	25,792
Loss on Disposal	-	-	-	49,518	49,518	49,518
Total Expenses	29,700	1,907,930	1,025,984	205,453	1,231,437	3,139,367
Change in Net Assets	\$ 500	\$ (1,019,706)	\$ 651,499	\$ (4,356)	\$ 647,143	\$ (372,563)

See Independent Auditors' Report