



SCHOOL ADMINISTRATORS OF MONTANA

FINANCIAL REPORT

June 30, 2017 and 2016

DRAFT

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Members
School Administrators of Montana
Helena, Montana

We have reviewed the accompanying combined financial statements of School Administrators of Montana (a nonprofit organization), which comprise the combined statements of financial positions as of June 30, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the combined financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of my (our) procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based our reviews, we are not aware of any material modifications that should be made to the accompanying combined financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information contained in the combining schedules of financial position and activities is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed such information and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on it.

Helena, Montana
April __, 2018

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FINANCIAL STATEMENTS

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SCHOOL ADMINISTRATORS OF MONTANA
 COMBINED STATEMENT OF FINANCIAL POSITION
 June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 306,076	\$ 363,563
Cash - MAFLD	-	69,884
Investments	652,822	604,638
Accounts receivable	57,009	126,239
Prepaid expenses	43,373	15,705
Total current assets	<u>1,059,280</u>	<u>1,180,029</u>
PROPERTY AND EQUIPMENT, at cost		
Building and improvements	423,492	423,492
Furniture, fixtures, and equipment	56,747	56,747
	<u>480,239</u>	<u>480,239</u>
Less - accumulated depreciation	<u>(160,367)</u>	<u>(149,507)</u>
Net property and equipment	<u>319,872</u>	<u>330,732</u>
ENDOWMENT	<u>72,379</u>	<u>67,769</u>
Total assets	<u>\$ 1,451,531</u>	<u>\$ 1,578,530</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 5,464	\$ 69,364
Accrued payroll and taxes	27,937	27,428
Deferred revenue	173,760	229,379
Total current liabilities	<u>207,161</u>	<u>326,171</u>
Total liabilities	<u>207,161</u>	<u>326,171</u>
NET ASSETS		
Unrestricted	1,166,512	1,182,154
Temporarily restricted	68,972	64,361
Permanently restricted	8,886	5,844
Total net assets	<u>1,244,370</u>	<u>1,252,359</u>
Total liabilities and net assets	<u>\$ 1,451,531</u>	<u>\$ 1,578,530</u>

See Accompanying Notes and Independent Accountant's Review Report.

SCHOOL ADMINISTRATORS OF MONTANA
 COMBINED STATEMENT OF ACTIVITIES
 June 30, 2017

CHANGES IN NET ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and support:				
Administrative fees and dues	\$ 542,187	\$ -	\$ -	\$ 542,187
Conference and events	196,170	-	-	196,170
Program revenues	128,830	-	-	128,830
Contributions	-	9,127	3,042	12,169
Sponsorship income	182,712	-	-	182,712
Investment income	47,366	5,468	-	52,834
Other income	546	-	-	546
Released from restrictions	9,984	(9,984)	-	-
Total operating revenues and support	<u>1,107,795</u>	<u>4,611</u>	<u>3,042</u>	<u>1,115,448</u>
 EXPENSES				
Program:				
Program administration fees and dues	353,312	-	-	353,312
Conference and convention	225,642	-	-	225,642
Scholarship and awards	118,244	-	-	118,244
Total program	<u>697,198</u>	<u>-</u>	<u>-</u>	<u>697,198</u>
General and administrative	426,239	-	-	426,239
Total expenses	<u>1,123,437</u>	<u>-</u>	<u>-</u>	<u>1,123,437</u>
 Change in net assets	(15,642)	4,611	3,042	(7,989)
Net assets, beginning of year	1,182,154	64,361	5,844	1,252,359
Net assets, end of year	<u>\$ 1,166,512</u>	<u>\$ 68,972</u>	<u>\$ 8,886</u>	<u>\$ 1,244,370</u>

See Accompanying Notes and Independent Accountant's Review Report.

SCHOOL ADMINISTRATORS OF MONTANA
 COMBINED STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2016

CHANGES IN NET ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues and support:				
Administrative fees and dues	\$ 522,902	\$ -	\$ -	\$ 522,902
Conference and events	267,337	-	-	267,337
Program revenues	98,984	-	-	98,984
Contributions	-	7,308	2,436	9,744
Sponsorship income	137,560	-	-	137,560
Investment income	15,316	1,125	-	16,441
Other income	5,310	-	-	5,310
Released from restrictions	<u>8,474</u>	<u>(8,474)</u>	<u>-</u>	<u>-</u>
Total operating revenues and support	<u>1,055,883</u>	<u>(41)</u>	<u>2,436</u>	<u>1,058,278</u>
 EXPENSES				
Program:				
Program administration fees and dues	312,230	-	-	312,230
Conference and convention	222,923	-	-	222,923
Scholarship and awards	<u>123,599</u>	<u>-</u>	<u>-</u>	<u>123,599</u>
Total program	658,752	-	-	658,752
General and administrative	<u>422,403</u>	<u>-</u>	<u>-</u>	<u>422,403</u>
Total expenses	<u>1,081,155</u>	<u>-</u>	<u>-</u>	<u>1,081,155</u>
Change in net assets	(25,272)	(41)	2,436	(22,877)
Net assets, beginning of year	<u>1,207,426</u>	<u>64,402</u>	<u>3,408</u>	<u>1,275,236</u>
Net assets, end of year	<u>\$ 1,182,154</u>	<u>\$ 64,361</u>	<u>\$ 5,844</u>	<u>\$ 1,252,359</u>

See Accompanying Notes and Independent Accountant's Review Report.

SCHOOL ADMINISTRATORS OF MONTANA
 COMBINED STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from members	\$ 881,344	\$ 858,572
Contributions and sponsorships	191,839	144,868
Other revenue	15,695	18,511
Cash paid to suppliers	(746,947)	(578,262)
Cash payments for awards and scholarships	(118,244)	(123,599)
Cash paid to employees and related benefits	<u>(338,445)</u>	<u>(294,689)</u>
Net cash flows from operating activities	<u>(114,758)</u>	<u>25,401</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	<u>(15,655)</u>	<u>(24,917)</u>
Net cash flows from investing activities	<u>(15,655)</u>	<u>(24,917)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment contributions received	<u>3,042</u>	<u>2,436</u>
Net cash flows from financing activities		
Net increase in cash and cash equivalents	(127,371)	2,920
Cash and cash equivalents, beginning of period	<u>433,447</u>	<u>430,527</u>
Cash and cash equivalents, end of period	<u>\$ 306,076</u>	<u>\$ 433,447</u>
Cash and cash equivalents per statement of financial position:		
Cash and cash equivalents	\$ 306,076	\$ 363,563
Cash - MAFLD	<u>-</u>	<u>69,884</u>
	<u>\$ 306,076</u>	<u>\$ 433,447</u>

See Accompanying Notes and Independent Accountant's Review Report.

SCHOOL ADMINISTRATORS OF MONTANA
 COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
 For the Years Ended June 30, 2017 and 2016

The following reconciles the changes in net assets as reported in the statement of activities to cash flows from operating activities:

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (7,989)	\$ (22,877)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Permanently restricted endowment contributions	(3,042)	(2,436)
Depreciation	10,860	10,860
Net realized and unrealized (gain) loss on investments	(37,139)	2,070
Changes in operating assets and liabilities:		
Accounts receivable	69,230	(91,026)
Prepaid expenses	(27,668)	(7,411)
Accounts payable	(63,900)	65,563
Accrued expenses	509	15,593
Deferred revenue	<u>(55,619)</u>	<u>55,065</u>
Net cash flows from operating activities	<u>\$ (114,758)</u>	<u>\$ 25,401</u>

See Accompanying Notes and Independent Accountant's Review Report.

SCHOOL ADMINISTRATORS OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

SAM...School Administrators of Montana (the Association) was formed in 1970 exclusively for the purposes of providing opportunities for continuous study of mutual professional problems facing school administrators, to make its members aware of public education issues, to provide a forum for the discussion of these issues and to formulate positions on such issues. SAM is organized as a 501 (c) 3 and is comprised of six affiliate organizations, one of which is a separate legal entity (MASS).

MASS - The Montana Association of School Superintendents is the local affiliate for the national organization, the American Association of School Administrators. The goal of MASS is continuing improvement in educational procedures, techniques, administration, supervision, and public relations. MASS is organized as a non-profit 501(c) 6.

MAEMSP - Montana Association of Elementary and Middle School Principals is the state affiliate for the national organization, the National Association of Elementary School Principals. MAEMSP works to recruit, mentor, and maintain aspiring, practicing, and retired administrators and also works to promote professional development and is recognized as an authority in children's educational issues.

MASSP - Montana Association of Secondary School Principals promotes a common bond and relationship among middle and secondary school educators through continuous improvement in educational opportunities for all students and cooperatively working with other organizations for the benefit of education.

MCASE - The Montana Council of Administrators for Special Education is the local affiliate of the Council of Administrators for Special Education, dedicated to the enhancement of the worth, dignity, potential, and uniqueness of each individual in society. MCASE advocates for the right to a free appropriate public education.

META - Montana Educational Technologists Association advocates for the visions, policies, practices and funding to include technology in all aspects in teaching, learning and professional productivity.

MACSS - Montana Association of County School Superintendents serves as a liaison between schools, state and county governments and the taxpayer, as well as administer the small stand-alone elementary school districts. Financial activity reported in these statements is limited to collection of dues and general support of its activity.

Basis of Combination and Presentation

The accompanying combined financial statements are presented in accordance with accounting principles generally accepted in the United States (GAAP), as codified by the Financial Accounting Standards Board. Accordingly, these financial statements include the accounts of SAM, MASS, MAEMSP, MASSP, MCASE, META and MACSS. All significant intercompany transactions and accounts have been eliminated.

SCHOOL ADMINISTRATORS OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

The preparation of combined financial statements in conformity with GAAP 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 reported period. Accordingly, actual results may differ from those estimates.

Classification of Net Assets

As required by GAAP, the accompanying combined financial statements have been prepared to focus on the Association as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into the following classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations and donor restricted contributions whose restrictions are met in the same reporting period.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association, but permit the Association to use all or part of the income earned and capital gains, if any, from the investment assets as support for general or specific purposes, unless otherwise specified by the donor.

Revenues are reported as increases in unrestricted net assets unless limited by donor-imposed restrictions. Contributed marketable securities and other noncash contributions are recorded as contributions at their estimated fair values at the date of contribution. Contributed services are reported in the financial statements if they meet the requirements of GAAP for recognition.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give that are scheduled to be received after the balance sheet date are shown as increases to temporarily restricted net assets and are reclassified to unrestricted net assets when the cash is received and any purpose restrictions are met. Conditional grants and promises to give are not recognized until the conditions on which they depend are substantially met.

SCHOOL ADMINISTRATORS OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the combined statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. FDIC coverage is limited to \$250,000 per account holder. From time to time, certain bank accounts that are subject to limited FDIC coverage may exceed their insured limits. The balance “Cash-MAFLD” reported in the 2016 combined statement of financial position is the cash balance generated by the Montana Academy for Leadership Development, a program previously established by the Association for professional development for administrators. In 2017, the funds were transferred to the general cash account maintained by SAM.

Accounts Receivable

Accounts receivable are stated at face value. Accounts receivable are reviewed for potential write-off based on the facts and circumstances of each individual account. No allowance for doubtful accounts has been provided as management considers all accounts to be collectible.

Investments

The Association has determined the fair value of its investments in accordance with GAAP. At June 30, 2017 and 2016, investments are comprised of securities and temporary cash funds and are reported at fair value as more fully described in Note 2. Unrealized and realized gains and losses are included in the change in net assets in the combined statement of activities.

Property and Equipment

Property and equipment with an original cost of \$500 or more have been capitalized at cost. All future property and equipment purchased with a cost of \$2,500 or more will be capitalized at cost. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Building and Improvements	10-40 years
Furniture and Equipment	5-15 years
Computer equipment	5 years

Depreciation expense was \$10,860 for the years ended June 30, 2017 and 2016.

Income Taxes

The Association is exempt from income taxes under Internal Revenue Code Section 501(a) on income derived directly from activities relating to its exempt purposes. SAM files its income tax returns as a 501(c)(3) organization and MASS files its income tax returns as a 501(c)(6) organization for federal tax reporting purposes. As such, the Association will not pay income taxes as any income or loss is tax exempt. Accordingly, no provision is made for income taxes in the financial statements.

SCHOOL ADMINISTRATORS OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed in the year incurred. Advertising expense was incurred during the years ended June 30, 2017 and 2016 in the amounts of \$-0- and \$1,866, respectively.

Deferred Revenue

Revenue from dues is reported as income in the period the revenue is earned. Deferred revenue represents advance payments that will be recognized in the subsequent period as income when earned.

Subsequent Events

Management has evaluated subsequent events through April __, 2018, the date which the financial statements were available for issue.

NOTE 2. INVESTMENTS

The Association has determined the fair value of its investments in accordance with generally accepted accounting principles. These principles define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

In accordance with GAAP, the framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels used to measure fair values are:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the methodologies used at June 30, 2017, and there were no transfers between levels.

Equity securities: Valued at fair value based on quoted market prices in active markets in which the individual securities are traded.

SCHOOL ADMINISTRATORS OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 2. INVESTMENTS (CONTINUED)

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds and are required to publish their daily net asset value (NAV) of shares and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Debt securities: Valued using pricing models maximizing the use of observable inputs for similar securities. For corporate issues, this includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Montana Community Foundation: Valued based on the statement provided by the Montana Community Foundation, in accordance with its adopted methodologies.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following describes investments based on fair value hierarchy and risk:

	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>2017</u>				
Mutual funds	\$ 645,289	\$ -	\$ 645,289	\$ -
Insured deposits and cash equivalents	7,533	7,533	-	-
Total investments, current	<u>652,822</u>	<u>7,533</u>	<u>645,289</u>	<u>-</u>
Endowment - MCF	72,379	-	-	72,379
Total investments	<u>\$ 725,201</u>	<u>\$ 7,533</u>	<u>\$ 645,289</u>	<u>\$ 72,379</u>
<u>2016</u>				
Equity securities				
Large cap stocks	\$ 10,004	\$ 10,004	\$ -	\$ -
Debt securities				
Corporate bonds	172,566	-	172,566	-
Fixed income mutual funds	271,733	-	271,733	-
Certificates of deposit and cash equivalents	150,335	150,335	-	-
Total investments, current	<u>604,638</u>	<u>160,339</u>	<u>444,299</u>	<u>-</u>
Endowment - MCF	67,769	-	-	67,769
Total investments	<u>\$ 672,407</u>	<u>\$ 160,339</u>	<u>\$ 444,299</u>	<u>\$ 67,769</u>

SCHOOL ADMINISTRATORS OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 2. INVESTMENTS (CONTINUED)

The following summarizes the change in Level 3 investments in each fiscal year:

MCF balance, July 1, 2015	\$ 60,954
Contributions deposited	7,414
Investment income	1,125
Expenses and adjustments	<u>(1,724)</u>
Balance, June 30, 2016	67,769
Investment income	5,468
Expenses	<u>(858)</u>
Balance, June 30, 2017	<u>\$ 72,379</u>

Following is a summary of cumulative appreciation (depreciation) by investment type as of June 30:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Depreciation</u>
<u>2017</u>			
Mutual funds			
Mutual funds	\$ 620,232	\$ 645,289	\$ 25,057
Cash equivalents	<u>7,532</u>	<u>7,532</u>	<u>-</u>
	<u>\$ 627,764</u>	<u>\$ 652,821</u>	<u>\$ 25,057</u>
Corporate bonds	\$ 184,229	\$ 179,123	\$ (5,106)
Certificates of deposit	75,000	75,773	773
Fixed income mutual funds	285,362	268,741	(16,621)
Equities	10,318	10,100	(218)
Cash equivalents	<u>54,869</u>	<u>54,869</u>	<u>-</u>
	<u>\$ 609,778</u>	<u>\$ 588,606</u>	<u>\$ (21,172)</u>

Historical information regarding the endowment investment held at MCF was not available as of the date of these statements.

Investment earnings on designated and short term investments consist of the following:

	<u>2017</u>	<u>2016</u>
Net realized and unrealized gains (losses)	\$ 37,139	\$ (2,070)
Interest and dividends	<u>15,695</u>	<u>18,511</u>
	<u>\$ 52,834</u>	<u>\$ 16,441</u>

SCHOOL ADMINISTRATORS OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 3. EMPLOYEE BENEFITS

The Association has a 408(k) Simplified Employee Pension (SEP) plan that provides for employer contributions at the rate of 10% of qualifying employee salaries. All full-time employees can participate if they have performed service for the employer in at least three of the immediately preceding five years. Contributions to the plan in 2017 and 2016 were \$26,485 and \$25,358, respectively.

Association employees earn sick leave at the rate of twelve days for each year of employment, beginning with the first day of employment, up to a maximum of 96 days. Sick leave may not be used in the first 90 days of employment, and one-fourth of an employee's unused balance is payable upon termination.

Vacation leave is earned based on years of employment, beginning with 1.25 days per month for employees having ten or fewer years of tenure, and increasing to 2 days per month for employees having 21 or more years of employment, up to a maximum of two times the annual allocation. Leave accrues from the first day of employment, cannot be used in the first six months, and is payable upon termination.

At June 30, 2017 and 2016, the total balance accrued for compensated absences was \$5,285 and \$18,832, respectively, included in accrued payroll and taxes reported in the combined statements of financial position.

NOTE 4. RELATED PARTY TRANSACTIONS

SAM administers the accounting, investments, payables and receivables of each group that falls beneath it. MASS is the only other member that has an individual employer identification number (EIN) and tax exemption, although the Association's four employees are employed by SAM.

MAEMSP, MASSP, MCASE, MACSS and META operate under SAM's EIN and tax exemption.

School Administrators of Montana (SAM), Montana School Boards Association (MTSBA), and MEA-MFT are sponsoring organizations of Montana Unified School Trust (MUST). The Executive Directors of SAM, MTSBA and the President of MEA-MFT form the Board of Directors of Montana School Services Foundation (MSSF). Each Director of the MSSF Board appoints three Trustees to the MUST Board of Trustees.

The Trustees authorize sponsorship fees payable equally to the sponsoring organizations, SAM, MTSBA, and MEA-MFT. SAM received \$112,812 and \$112,060 from MUST for the years ended June 30, 2017 and 2016, respectively.

SCHOOL ADMINISTRATORS OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2017 and 2016, temporarily restricted net assets in the amounts of \$64,361 and \$68,972, respectively, were reserved to fund student scholarships and related purposes. In fiscal year 2017, temporarily restricted net assets in the amount of \$9,984 were released from restrictions to fund Youth Endowment program scholarships of \$9,250 and pay investment management fees of \$734, net of other adjustments. In fiscal year 2016, temporarily restricted net assets in the amount of \$8,474 were released from restrictions to fund Youth Endowment program scholarships of \$6,750 and pay investment management fees and other expenses of \$1,724.

NOTE 6. MONTANA COMMUNITY FOUNDATION

Two funds have been established at the Montana Community Foundation (MCF) on behalf of the Association. The first has been established to receive endowment contributions from donors who have designated the Association as the beneficiary. In accordance with GAAP, these assets are not included in the Association's combined statements of financial position. The earnings on the endowment fund held at the MCF are paid to the beneficiary, namely the Association, at the discretion of the MCF's Board of Directors. Earnings distributed by MCF to the Association are recorded as contributions in the year of receipt. The total fair value of the endowment account that is not included in the Association's combined statements of financial position is \$45,752 and \$45,009 as of June 30, 2017 and 2016, respectively.

A separate account has been established by the Association to hold and manage funds which it has provided with itself specified as the beneficiary, as more fully described in Note 8. Association members contribute to this account to support the Youth Endowment Fund program. In accordance with GAAP, these assets are reported in the Association's combined statements of financial position. The terms of the agreement with MCF state that the Association will receive distributions of investment earnings.

NOTE 7. YOUTH ENDOWMENT FUND

The Association's endowment consists of a fund held at MCF as described in Note 7. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

SCHOOL ADMINISTRATORS OF MONTANA
 NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017 and 2016

NOTE 7. YOUTH ENDOWMENT FUND (CONTINUED)

Interpretation of Relevant Law

The Association Board has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by MUPMIFA. The Association is in the process of developing a policy regarding appropriation of temporarily restricted endowment funds.

In developing a policy in accordance with MUPMIFA, the Association will consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Association and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Association, and
- (7) The investment policies of the Association, including return objectives and risk parameters designed to achieve these policies.

Endowment net asset composition by type of fund and donor restriction as of June 30, 2017 and 2016 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
<u>2017</u>			
Donor-restricted funds	<u>\$ 68,972</u>	<u>\$ 8,886</u>	<u>\$ 77,858</u>
<u>2016</u>			
Donor-restricted funds	<u>\$ 64,361</u>	<u>\$ 5,844</u>	<u>\$ 70,205</u>

SCHOOL ADMINISTRATORS OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 7. YOUTH ENDOWMENT FUND (CONTINUED)

The following reconciles the Youth Endowment Fund balances reported above to the endowment investment reported in the combined statements of financial position at June 30:

	<u>2017</u>	<u>2016</u>
MCF investment, at June 30	\$ 72,379	\$ 67,769
Pending transfer to MCF	<u>5,479</u>	<u>2,436</u>
Endowment total	<u>\$ 77,858</u>	<u>\$ 70,205</u>

Changes in endowment net assets for the years ended June 30 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, July 1, 2016	\$ 64,402	\$ 3,408	\$ 67,810
Contributions	7,308	2,436	9,744
Investment income	1,125	-	1,125
Expenses	(764)	-	(764)
Other adjustments	(960)	-	(960)
Appropriated	<u>(6,750)</u>	<u>-</u>	<u>(6,750)</u>
Balance, June 30, 2016	64,361	5,844	70,205
Contributions	9,127	3,042	12,169
Investment income	5,468	-	5,468
Expenses	(858)	-	(858)
Other adjustments	124	-	124
Appropriated	<u>(9,250)</u>	<u>-</u>	<u>(9,250)</u>
Balance, June 30, 2017	<u>\$ 68,972</u>	<u>\$ 8,886</u>	<u>\$ 77,858</u>

SUPPLEMENTARY INFORMATION

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SCHOOL ADMINISTRATORS OF MONTANA
 COMBINING SCHEDULE OF FINANCIAL POSITION
 Year Ended June 30, 2017

	SAM	MASS	MAEMSP	MASSP	MCASE	META	Total
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 86,445	\$ 55,454	\$ 13,751	\$ 571	\$ 102,964	\$ 46,891	\$ 306,076
Investments	183,614	259,023	68,973	141,212	-	-	652,822
Accounts receivable	43,001	1,905	5,914	2,807	2,942	440	57,009
Prepaid expenses	8,934	1,755	10,586	21,098	1,000	-	43,373
Total current assets	<u>321,994</u>	<u>318,137</u>	<u>99,224</u>	<u>165,688</u>	<u>106,906</u>	<u>47,331</u>	<u>1,059,280</u>
PROPERTY AND EQUIPMENT, at cost							
Building and improvements	105,875	105,873	105,872	105,872	-	-	423,492
Furniture, fixtures, and equipment	38,819	5,976	5,976	5,976	-	-	56,747
	144,694	111,849	111,848	111,848	-	-	480,239
Less - accumulated depreciation	(64,721)	(31,882)	(31,882)	(31,882)	-	-	(160,367)
Net property and equipment	<u>79,973</u>	<u>79,967</u>	<u>79,966</u>	<u>79,966</u>	<u>-</u>	<u>-</u>	<u>319,872</u>
ENDOWMENT	<u>72,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,379</u>
Total assets	<u>\$ 474,346</u>	<u>\$ 398,104</u>	<u>\$ 179,190</u>	<u>\$ 245,654</u>	<u>\$ 106,906</u>	<u>\$ 47,331</u>	<u>\$ 1,451,531</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable and accrued expenses	\$ 5,229	\$ -	\$ 235	\$ -	\$ -	\$ -	\$ 5,464
Accrued payroll and taxes	27,937	-	-	-	-	-	27,937
Deferred revenue	33,805	39,755	47,930	35,630	7,520	9,120	173,760
Total current liabilities	<u>66,971</u>	<u>39,755</u>	<u>48,165</u>	<u>35,630</u>	<u>7,520</u>	<u>9,120</u>	<u>207,161</u>
Total liabilities	<u>66,971</u>	<u>39,755</u>	<u>48,165</u>	<u>35,630</u>	<u>7,520</u>	<u>9,120</u>	<u>207,161</u>
NET ASSETS							
Unrestricted	329,517	358,349	131,025	210,024	99,386	38,211	1,166,512
Temporarily restricted	68,972	-	-	-	-	-	68,972
Permanently restricted	8,886	-	-	-	-	-	8,886
Total net assets	<u>407,375</u>	<u>358,349</u>	<u>131,025</u>	<u>210,024</u>	<u>99,386</u>	<u>38,211</u>	<u>1,244,370</u>
Total liabilities and net assets	<u>\$ 474,346</u>	<u>\$ 398,104</u>	<u>\$ 179,190</u>	<u>\$ 245,654</u>	<u>\$ 106,906</u>	<u>\$ 47,331</u>	<u>\$ 1,451,531</u>

See Independent Accountant's Review Report.

SCHOOL ADMINISTRATORS OF MONTANA
 COMBINING SCHEDULE OF FINANCIAL POSITION
 Year Ended June 30, 2016

	SAM	MASS	MAEMSP	MASSP	MCASE	META	Total
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 84,594	\$ 77,125	\$ 35,842	\$ 36,350	\$ 94,648	\$ 35,004	\$ 363,563
Cash - MAFLD	69,884	-	-	-	-	-	69,884
Due from (to) affiliates	(4,443)	1,339	3,757	1,979	(3,292)	660	-
Investments	170,837	238,460	63,423	131,918	-	-	604,638
Accounts receivable	126,239	-	-	-	-	-	126,239
Prepaid expenses	4,000	3,504	8,201	-	-	-	15,705
Total current assets	<u>451,111</u>	<u>320,428</u>	<u>111,223</u>	<u>170,247</u>	<u>91,356</u>	<u>35,664</u>	<u>1,180,029</u>
PROPERTY AND EQUIPMENT, at cost							
Building and improvements	105,875	105,873	105,872	105,872	-	-	423,492
Furniture, fixtures, and equipment	38,819	5,976	5,976	5,976	-	-	56,747
	144,694	111,849	111,848	111,848	-	-	480,239
Less - accumulated depreciation	(62,006)	(29,167)	(29,167)	(29,167)	-	-	(149,507)
Net property and equipment	<u>82,688</u>	<u>82,682</u>	<u>82,681</u>	<u>82,681</u>	<u>-</u>	<u>-</u>	<u>330,732</u>
ENDOWMENT	<u>67,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,769</u>
Total assets	<u>\$ 601,568</u>	<u>\$ 403,110</u>	<u>\$ 193,904</u>	<u>\$ 252,928</u>	<u>\$ 91,356</u>	<u>\$ 35,664</u>	<u>\$ 1,578,530</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable and accrued expenses	\$ 69,364	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,364
Accrued payroll and taxes	27,428	-	-	-	-	-	27,428
Deferred revenue	51,393	53,860	58,185	41,990	11,951	12,000	229,379
Total current liabilities	<u>148,185</u>	<u>53,860</u>	<u>58,185</u>	<u>41,990</u>	<u>11,951</u>	<u>12,000</u>	<u>326,171</u>
Total liabilities	<u>148,185</u>	<u>53,860</u>	<u>58,185</u>	<u>41,990</u>	<u>11,951</u>	<u>12,000</u>	<u>326,171</u>
NET ASSETS							
Unrestricted	383,178	349,250	135,719	210,938	79,405	23,664	1,182,154
Temporarily restricted	64,361	-	-	-	-	-	64,361
Permanently restricted	5,844	-	-	-	-	-	5,844
Total net assets	<u>453,383</u>	<u>349,250</u>	<u>135,719</u>	<u>210,938</u>	<u>79,405</u>	<u>23,664</u>	<u>1,252,359</u>
Total liabilities and net assets	<u>\$ 601,568</u>	<u>\$ 403,110</u>	<u>\$ 193,904</u>	<u>\$ 252,928</u>	<u>\$ 91,356</u>	<u>\$ 35,664</u>	<u>\$ 1,578,530</u>

See Independent Accountant's Review Report.

SCHOOL ADMINISTRATORS OF MONTANA
 COMBINING SCHEDULE OF ACTIVITIES
 For the Year Ended June 30, 2017

	SAM	MASS	MAEMSP	MASSP	MCASE	META	Total
OPERATING REVENUES AND SUPPORT							
Administrative fees and dues	\$ 156,790	\$ 94,060	\$ 137,640	\$ 102,992	\$ 25,185	\$ 25,520	\$ 542,187
Conference and events	60,514	32,550	51,516	15,170	13,490	22,930	196,170
Program revenues	102,530	-	-	-	26,300	-	128,830
Contributions	12,169	-	-	-	-	-	12,169
Sponsorships	182,712	-	-	-	-	-	182,712
Investment income	17,427	20,565	5,550	9,292	-	-	52,834
Other income	546	-	-	-	-	-	546
Total operating revenues and support	<u>532,688</u>	<u>147,175</u>	<u>194,706</u>	<u>127,454</u>	<u>64,975</u>	<u>48,450</u>	<u>1,115,448</u>
EXPENSES							
Program:							
Program administration fees and dues	14,363	82,812	125,281	94,140	17,123	19,593	353,312
Conference and convention	49,680	46,450	64,636	24,603	26,749	13,524	225,642
Scholarship and awards	110,965	2,037	1,293	3,949	-	-	118,244
Total program expenses	<u>175,008</u>	<u>131,299</u>	<u>191,210</u>	<u>122,692</u>	<u>43,872</u>	<u>33,117</u>	<u>697,198</u>
General and administrative	<u>403,688</u>	<u>6,777</u>	<u>8,190</u>	<u>5,676</u>	<u>1,122</u>	<u>786</u>	<u>426,239</u>
Total expenses	<u>578,696</u>	<u>138,076</u>	<u>199,400</u>	<u>128,368</u>	<u>44,994</u>	<u>33,903</u>	<u>1,123,437</u>
Change in net assets	(46,008)	9,099	(4,694)	(914)	19,981	14,547	(7,989)
Net assets, beginning of year	<u>453,383</u>	<u>349,250</u>	<u>135,719</u>	<u>210,938</u>	<u>79,405</u>	<u>23,664</u>	<u>1,252,359</u>
Net assets, end of year	<u>\$ 407,375</u>	<u>\$ 358,349</u>	<u>\$ 131,025</u>	<u>\$ 210,024</u>	<u>\$ 99,386</u>	<u>\$ 38,211</u>	<u>\$ 1,244,370</u>

See Independent Accountant's Review Report.

SCHOOL ADMINISTRATORS OF MONTANA
 COMBINING SCHEDULE OF ACTIVITIES
 For the Year Ended June 30, 2016

	<u>SAM</u>	<u>MASS</u>	<u>MAEMSP</u>	<u>MASSP</u>	<u>MCASE</u>	<u>META</u>	<u>Total</u>
OPERATING REVENUES AND SUPPORT							
Administrative fees and dues	\$ 154,590	\$ 89,235	\$ 137,248	\$ 103,744	\$ 23,765	\$ 14,320	\$ 522,902
Conference and events	116,077	52,205	45,220	13,885	16,525	23,425	267,337
Program revenues	75,784	-	-	-	23,200	-	98,984
Contributions	9,744	-	-	-	-	-	9,744
Sponsorships	137,560	-	-	-	-	-	137,560
Investment income	3,746	7,860	1,254	3,581	-	-	16,441
Other income	3,548	458	783	521	-	-	5,310
Total operating revenues and support	<u>501,049</u>	<u>149,758</u>	<u>184,505</u>	<u>121,731</u>	<u>63,490</u>	<u>37,745</u>	<u>1,058,278</u>
EXPENSES							
Program:							
Program administration fees and dues	8,744	48,712	120,975	82,795	24,190	26,814	312,230
Conference and convention	44,441	43,168	51,690	25,872	44,255	13,497	222,923
Scholarship and awards	<u>118,269</u>	<u>1,046</u>	<u>2,366</u>	<u>1,918</u>	-	-	<u>123,599</u>
Total program expenses	171,454	92,926	175,031	110,585	68,445	40,311	658,752
General and administrative	<u>364,046</u>	<u>42,552</u>	<u>8,266</u>	<u>5,875</u>	<u>1,151</u>	<u>513</u>	<u>422,403</u>
Total expenses	<u>535,500</u>	<u>135,478</u>	<u>183,297</u>	<u>116,460</u>	<u>69,596</u>	<u>40,824</u>	<u>1,081,155</u>
Change in net assets	(34,451)	14,280	1,208	5,271	(6,106)	(3,079)	(22,877)
Net assets, beginning of year	<u>487,834</u>	<u>334,970</u>	<u>134,511</u>	<u>205,667</u>	<u>85,511</u>	<u>26,743</u>	<u>1,275,236</u>
Net assets, end of year	<u>\$ 453,383</u>	<u>\$ 349,250</u>	<u>\$ 135,719</u>	<u>\$ 210,938</u>	<u>\$ 79,405</u>	<u>\$ 23,664</u>	<u>\$ 1,252,359</u>

See Independent Accountant's Review Report.