



**SCHOOL ADMINISTRATORS OF MONTANA**

**FINANCIAL REPORT**

**June 30, 2016 and 2015**



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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, 2016 and 2015, 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.

*Anderson Zurmuehlen & Co., P.C.*

Helena, Montana  
March 31, 2017

FINANCIAL STATEMENTS

SCHOOL ADMINISTRATORS OF MONTANA  
 COMBINED STATEMENT OF FINANCIAL POSITION  
 June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 363,563	\$ 360,649
Cash - MAFLD	69,884	69,878
Investments	604,638	588,606
Accounts receivable	126,239	35,213
Prepaid expenses	<u>15,705</u>	<u>8,294</u>
Total current assets	<u>1,180,029</u>	<u>1,062,640</u>
<b>PROPERTY AND EQUIPMENT, at cost</b>		
Building and improvements	423,492	423,492
Furniture, fixtures, and equipment	<u>56,747</u>	<u>56,747</u>
	480,239	480,239
Less - accumulated depreciation	<u>(149,507)</u>	<u>(138,647)</u>
Net property and equipment	<u>330,732</u>	<u>341,592</u>
<b>ENDOWMENT</b>	<u>67,769</u>	<u>60,954</u>
Total assets	<u>\$ 1,578,530</u>	<u>\$ 1,465,186</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 69,364	\$ 3,801
Accrued payroll and taxes	27,428	11,835
Deferred revenue	<u>229,379</u>	<u>174,314</u>
Total current liabilities	<u>326,171</u>	<u>189,950</u>
Total liabilities	<u>326,171</u>	<u>189,950</u>
<b>NET ASSETS</b>		
Unrestricted	1,182,154	1,207,426
Temporarily restricted	64,361	64,402
Permanently restricted	<u>5,844</u>	<u>3,408</u>
Total net assets	<u>1,252,359</u>	<u>1,275,236</u>
Total liabilities and net assets	<u>\$ 1,578,530</u>	<u>\$ 1,465,186</u>

See Accompanying Notes and Independent Accountant's Review Report.

SCHOOL ADMINISTRATORS OF MONTANA  
 COMBINED STATEMENT OF ACTIVITIES  
 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 STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2015

CHANGES IN NET ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Operating revenues and support:				
Administrative fees and dues	\$ 501,010	\$ -	\$ -	\$ 501,010
Conference and events	259,302	-	-	259,302
Program revenues	379,171	-	-	379,171
Contributions	-	7,698	2,566	10,264
Sponsorship income	160,100	-	-	160,100
Investment income	(3,990)	2,932	-	(1,058)
Other income	23,564	-	-	23,564
Released from restrictions	<u>4,997</u>	<u>(4,997)</u>	<u>-</u>	<u>-</u>
Total operating revenues and support	<u>1,324,154</u>	<u>5,633</u>	<u>2,566</u>	<u>1,332,353</u>
 EXPENSES				
Program:				
Program administration fees and dues	342,954	-	-	342,954
Conference and convention	271,844	-	-	271,844
Scholarship and awards	<u>133,216</u>	<u>-</u>	<u>-</u>	<u>133,216</u>
Total program	748,014	-	-	748,014
 General and administrative	<u>385,676</u>	<u>-</u>	<u>-</u>	<u>385,676</u>
Total expenses	<u>1,133,690</u>	<u>-</u>	<u>-</u>	<u>1,133,690</u>
 Change in net assets	190,464	5,633	2,566	198,663
 Net assets, beginning of year	<u>1,016,962</u>	<u>58,769</u>	<u>842</u>	<u>1,076,573</u>
Net assets, end of year	<u>\$ 1,207,426</u>	<u>\$ 64,402</u>	<u>\$ 3,408</u>	<u>\$ 1,275,236</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from members	\$ 858,572	\$ 1,124,684
Contributions and sponsorships	144,868	167,798
Other revenue	18,511	-
Cash paid to suppliers	(578,262)	(696,263)
Cash payments for awards and scholarships	(123,599)	(133,216)
Cash paid to employees and related benefits	<u>(294,689)</u>	<u>(299,851)</u>
Net cash flows from operating activities	<u>25,401</u>	<u>163,152</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(500)
Purchase of investment securities	<u>(24,917)</u>	<u>(104,642)</u>
Net cash flows from investing activities	<u>(24,917)</u>	<u>(105,142)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Endowment contributions received	<u>2,436</u>	<u>2,566</u>
Net cash flows from financing activities		
Net increase in cash and cash equivalents	2,920	60,576
Cash and cash equivalents, beginning of period	<u>430,527</u>	<u>369,951</u>
Cash and cash equivalents, end of period	<u>\$ 433,447</u>	<u>\$ 430,527</u>
Cash and cash equivalents per statement of financial position:		
Cash and cash equivalents	\$ 363,563	\$ 360,649
Cash - MAFLD	<u>69,884</u>	<u>69,878</u>
	<u>\$ 433,447</u>	<u>\$ 430,527</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, 2016 and 2015

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

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (22,877)	\$ 198,663
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Permanently restricted endowment contributions	(2,436)	(2,566)
Depreciation	10,860	10,860
Net realized and unrealized loss on investments	2,070	18,915
Changes in operating assets and liabilities:		
Accounts receivable	(91,026)	(32,469)
Prepaid expenses	(7,411)	(2,685)
Accounts payable	65,563	(3,815)
Accrued expenses	15,593	2,224
Deferred revenue	<u>55,065</u>	<u>(25,975)</u>
Net cash flows from operating activities	<u>\$ 25,401</u>	<u>\$ 163,152</u>

See Accompanying Notes and Independent Accountant's Review Report.

SCHOOL ADMINISTRATORS OF MONTANA  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 2016 and 2015

**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, 2016 and 2015

**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, 2016 and 2015

**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 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.

**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 December 31, 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, 2016 and 2015.

**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.

**Advertising Costs**

Advertising costs are expensed in the year incurred. Advertising expense was incurred during the years ended June 30, 2016 or 2015 in the amounts of \$1,866 and \$3,202, respectively.

SCHOOL ADMINISTRATORS OF MONTANA  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2016 and 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 March 31, 2017, 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 December 31, 2016, 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.

*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.

SCHOOL ADMINISTRATORS OF MONTANA  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2016 and 2015

**NOTE 2. INVESTMENTS (CONTINUED)**

*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>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	<u>150,335</u>	<u>150,335</u>	<u>-</u>	<u>-</u>
Total investments, current	<u>604,638</u>	<u>160,339</u>	<u>444,299</u>	<u>-</u>
Endowment - MCF	<u>67,769</u>	-	-	<u>67,769</u>
Total investments	<u>\$ 672,407</u>	<u>\$ 160,339</u>	<u>\$ 444,299</u>	<u>\$ 67,769</u>
<u>2015</u>				
Equity securities				
Large cap stocks	\$ 10,100	\$ 10,100	\$ -	\$ -
Debt securities				
Corporate bonds	179,123	-	179,123	-
Fixed income mutual funds	268,741	-	268,741	-
Certificates of deposit and cash equivalents	<u>130,642</u>	<u>130,642</u>	<u>-</u>	<u>-</u>
Total investments, current	<u>588,606</u>	<u>140,742</u>	<u>447,864</u>	<u>-</u>
Endowment - MCF	<u>60,954</u>	-	-	<u>60,954</u>
Total investments	<u>\$ 649,560</u>	<u>\$ 140,742</u>	<u>\$ 447,864</u>	<u>\$ 60,954</u>

SCHOOL ADMINISTRATORS OF MONTANA  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2016 and 2015

**NOTE 2. INVESTMENTS (CONTINUED)**

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

MCF balance, July 1, 2014	\$ 59,611
Contributions deposited	3,408
Investment income	2,932
Expenses	(747)
Appropriated	<u>(4,250)</u>
Balance, June 30, 2015	60,954
Contributions deposited	14,164
Investment income	1,125
Expenses and adjustments	(1,724)
Appropriated	<u>(6,750)</u>
Balance, June 30, 2016	<u>\$ 67,769</u>

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Depreciation</u>
2016:			
Corporate bonds	\$ 173,784	\$ 172,567	\$ (1,217)
Certificates of deposit	16,200	16,200	-
Fixed income mutual funds	296,298	271,733	(24,565)
Equities	10,318	10,004	(314)
Cash equivalents	<u>134,134</u>	<u>134,134</u>	<u>-</u>
	<u>\$ 630,734</u>	<u>\$ 604,638</u>	<u>\$ (26,096)</u>
2015:			
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>

Complete historical information on the endowment fund held at Montana Community Foundation was not available at the date of these financial statements.

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

	<u>2016</u>	<u>2015</u>
Net realized and unrealized losses	\$ (2,070)	\$ (18,915)
Interest and dividends	<u>18,511</u>	<u>17,857</u>
	<u>\$ 16,441</u>	<u>\$ (1,058)</u>



SCHOOL ADMINISTRATORS OF MONTANA  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2016 and 2015

**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 2016 and 2015 were \$25,358 and \$24,123, 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, 2016 and 2015, the total balance accrued for compensated absences was \$17,832 and \$9,333, 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 \$112,060 and \$103,592 from MUST for the years ended June 30, 2016 and 2015, respectively.

SCHOOL ADMINISTRATORS OF MONTANA  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2016 and 2015

**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2016 and 2015, temporarily restricted net assets in the amounts of \$64,361 and \$64,402, respectively, were reserved to fund student scholarships and related purposes. 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. In fiscal year 2015, temporarily restricted net assets in the amount of \$4,997 were released from restrictions to fund Youth Endowment program scholarships of \$4,250 and pay investment management fees of \$747.

**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 \$45,009 and \$50,008 as of June 30, 2016 and 2015, 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, 2016 and 2015

**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, 2016 and 2015 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2016</u>			
Donor-restricted funds	<u>\$ 64,361</u>	<u>\$ 5,844</u>	<u>\$ 70,205</u>
<u>2015</u>			
Donor-restricted funds	<u>\$ 64,402</u>	<u>\$ 3,408</u>	<u>\$ 67,810</u>

SCHOOL ADMINISTRATORS OF MONTANA  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2016 and 2015

**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>2016</u>	<u>2015</u>
MCF investment, at June 30	\$ 67,769	\$ 60,954
Pending transfer to MCF	<u>2,436</u>	<u>6,856</u>
Endowment total	<u>\$ 70,205</u>	<u>\$ 67,810</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, 2014	\$ 58,769	\$ 842	\$ 59,611
Contributions	7,698	2,566	10,264
Investment income	2,932	-	2,932
Expenses	(747)	-	(747)
Appropriated	<u>(4,250)</u>	<u>-</u>	<u>(4,250)</u>
Balance, June 30, 2015	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	<u>\$ 64,361</u>	<u>\$ 5,844</u>	<u>\$ 70,205</u>

SUPPLEMENTARY INFORMATION

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

	SAM	MASS	MAEMSP	MASSP	MCASE	META	Total
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
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>
<b>PROPERTY AND EQUIPMENT, at cost</b>							
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	<u>(62,006)</u>	<u>(29,167)</u>	<u>(29,167)</u>	<u>(29,167)</u>	<u>-</u>	<u>-</u>	<u>(149,507)</u>
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>
<b>ENDOWMENT</b>	<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>
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable	\$ 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>
<b>NET ASSETS</b>							
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 FINANCIAL POSITION  
 Year Ended June 30, 2015

	<u>SAM</u>	<u>MASS</u>	<u>MAEMSP</u>	<u>MASSP</u>	<u>MCASE</u>	<u>META</u>	<u>Total</u>
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 119,370	\$ 57,512	\$ 36,758	\$ 23,336	\$ 91,260	\$ 32,413	\$ 360,649
Cash - MAFLD	69,878	-	-	-	-	-	69,878
Investments	167,499	230,599	63,115	127,393	-	-	588,606
Accounts receivable	27,051	1,960	1,370	2,132	2,700	-	35,213
Prepaid expenses	<u>4,000</u>	<u>2,544</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>250</u>	<u>8,294</u>
Total current assets	<u>387,798</u>	<u>292,615</u>	<u>101,243</u>	<u>152,861</u>	<u>95,460</u>	<u>32,663</u>	<u>1,062,640</u>
<b>PROPERTY AND EQUIPMENT, at cost</b>							
Building and improvements	105,875	105,873	105,872	105,872	-	-	423,492
Furniture, fixtures, and equipment	<u>38,819</u>	<u>5,976</u>	<u>5,976</u>	<u>5,976</u>	<u>-</u>	<u>-</u>	<u>56,747</u>
	144,694	111,849	111,848	111,848	-	-	480,239
Less - accumulated depreciation	<u>(59,291)</u>	<u>(26,452)</u>	<u>(26,452)</u>	<u>(26,452)</u>	<u>-</u>	<u>-</u>	<u>(138,647)</u>
Net property and equipment	<u>85,403</u>	<u>85,397</u>	<u>85,396</u>	<u>85,396</u>	<u>-</u>	<u>-</u>	<u>341,592</u>
<b>ENDOWMENT</b>	<u>60,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,954</u>
Total assets	<u>\$ 534,155</u>	<u>\$ 378,012</u>	<u>\$ 186,639</u>	<u>\$ 238,257</u>	<u>\$ 95,460</u>	<u>\$ 32,663</u>	<u>\$ 1,465,186</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable	\$ 3,801	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,801
Accrued payroll and taxes	11,835	-	-	-	-	-	11,835
Deferred revenue	<u>30,685</u>	<u>43,042</u>	<u>52,128</u>	<u>32,590</u>	<u>9,949</u>	<u>5,920</u>	<u>174,314</u>
Total current liabilities	<u>46,321</u>	<u>43,042</u>	<u>52,128</u>	<u>32,590</u>	<u>9,949</u>	<u>5,920</u>	<u>189,950</u>
Total liabilities	<u>46,321</u>	<u>43,042</u>	<u>52,128</u>	<u>32,590</u>	<u>9,949</u>	<u>5,920</u>	<u>189,950</u>
<b>NET ASSETS</b>							
Unrestricted	420,024	334,970	134,511	205,667	85,511	26,743	1,207,426
Temporarily restricted	64,402	-	-	-	-	-	64,402
Permanently restricted	<u>3,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,408</u>
Total net assets	<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>
Total liabilities and net assets	<u>\$ 534,155</u>	<u>\$ 378,012</u>	<u>\$ 186,639</u>	<u>\$ 238,257</u>	<u>\$ 95,460</u>	<u>\$ 32,663</u>	<u>\$ 1,465,186</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>
<b>OPERATING REVENUES AND SUPPORT</b>							
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	<u>3,548</u>	<u>458</u>	<u>783</u>	<u>521</u>	<u>-</u>	<u>-</u>	<u>5,310</u>
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>
<b>EXPENSES</b>							
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>-</u>	<u>-</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.



SCHOOL ADMINISTRATORS OF MONTANA  
 COMBINING SCHEDULE OF ACTIVITIES  
 For the Year Ended June 30, 2015

	<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	\$ 140,135	\$ 83,727	\$ 139,018	\$ 98,495	\$ 26,195	\$ 13,440	\$ 501,010
Conference and events	123,964	35,850	52,037	19,595	27,856	-	259,302
Program revenues	352,921	-	-	-	26,250	-	379,171
Contributions	10,264	-	-	-	-	-	10,264
Sponsorships	160,100	-	-	-	-	-	160,100
Investment income	3,017	(3,002)	(1,179)	106	-	-	(1,058)
Other income	9,462	2,093	736	435	365	10,473	23,564
Total operating revenues and support	<u>799,863</u>	<u>118,668</u>	<u>190,612</u>	<u>118,631</u>	<u>80,666</u>	<u>23,913</u>	<u>1,332,353</u>
EXPENSES							
Program:							
Program administration fees and dues	10,872	76,123	123,760	87,027	28,427	16,745	342,954
Conference and convention	118,521	36,713	57,396	21,372	35,492	2,350	271,844
Scholarship and awards	<u>125,012</u>	<u>2,473</u>	<u>1,797</u>	<u>3,934</u>	-	-	<u>133,216</u>
Total program expenses	254,405	115,309	182,953	112,333	63,919	19,095	748,014
General and administrative	<u>362,159</u>	<u>4,993</u>	<u>11,138</u>	<u>6,144</u>	<u>1,050</u>	<u>192</u>	<u>385,676</u>
Total expenses	<u>616,564</u>	<u>120,302</u>	<u>194,091</u>	<u>118,477</u>	<u>64,969</u>	<u>19,287</u>	<u>1,133,690</u>
Change in net assets	183,299	(1,634)	(3,479)	154	15,697	4,626	198,663
Net assets, beginning of year	<u>304,535</u>	<u>336,604</u>	<u>137,990</u>	<u>205,513</u>	<u>69,814</u>	<u>22,117</u>	<u>1,076,573</u>
Net assets, end 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>

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