

Marco Seidman, CPA PC

**MASSACHUSETTS SCHOOL
ADMINISTRATORS' ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

Marco Seidman, CPA PC

MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.

JUNE 30, 2018 AND 2017

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Marco Seidman, CPA PC

177 Worcester Street, Suite 203

Wellesley, MA 02481

508-650-3900

October 18, 2018

Independent Auditors' Report

To The Board of Directors
Massachusetts School
Administrators' Association, Inc.
Franklin, Massachusetts

We have audited the accompanying financial statements of Massachusetts School Administrators' Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and June 30, 2017, 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

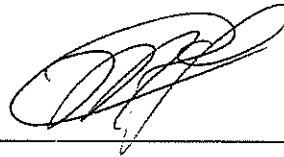
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts School Administrators' Association, Inc. as of June 30, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of other general and administrative expense on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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. The 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.



MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	\$ 176,532	\$ 80,031
Investments available for sale (Notes 1 and 2) (Cost \$981,309 for 2018 and \$885,839 for 2017)	1,158,917	1,069,334
Accounts receivable (Note 1) Conference fees receivable, net of allowance for doubtful accounts of \$ 11,765 for 2018 and \$8,959 for 2017	203,655	146,042
Prepaid expenses	92,889	96,947
TOTAL CURRENT ASSETS	1,631,993	1,392,354
Postretirement Obligation-overfunded (Note 5)	59,606	-
Property and Equipment, net (Notes 1 and 3)	98,535	72,241
<u>Total Assets</u>	\$ 1,790,134	\$ 1,464,595
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 15,157	\$ 29,578
Deferred dues revenue (Note 1)	4,288	9,830
Deferred program revenue (Note 1)	500,583	344,064
Due to related party (Note 4)	14,020	10,039
Postretirement obligations, current portion (Notes 1 and 5)	26,523	7,967
Agency Funds	27,932	33,772
TOTAL CURRENT LIABILITIES	588,503	435,250
<u>Accrued Postretirement Benefits,</u> <u>Net of Current Portion (Note 5)</u>	-	284,142
TOTAL LIABILITIES	588,503	719,392
<u>Net Assets</u>		
Unrestricted net assets	1,201,631	745,203
TOTAL NET ASSETS	1,201,631	745,203
<u>Total Liabilities and Net Assets</u>	\$ 1,790,134	\$ 1,464,595

MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Revenue and Support</u>		
Association conferences	\$ 1,033,207	\$ 1,079,259
Student council	686,714	639,986
State dues	574,425	342,365
Administrative fees	147,001	147,000
Cheerleading/Dance	150,177	138,707
National Honor Society	34,755	34,640
Corporate support	12,206	10,000
Miscellaneous	28,417	27,013
Grant Income	<u>6,000</u>	<u>-</u>
Total revenue and support	2,672,902	2,418,970
<u>Expenses</u>		
Program services:		
Student council	659,216	629,835
Association conferences	589,595	624,817
Cheerleading/Dance	138,373	136,622
National Honor Society	<u>34,965</u>	<u>37,044</u>
Total program expense	1,422,149	1,428,318
General and administrative		
Personnel costs:		
Salaries	682,165	581,121
Insurance and employee benefits	178,410	243,084
Payroll taxes and administration	55,944	47,830
Other general and administrative expenses	<u>339,296</u>	<u>281,822</u>
Total general and administrative expense	1,255,815	1,153,857
Total expenses	<u>2,677,964</u>	<u>2,582,175</u>
Change in net assets from operations (balance forward)	\$ (5,062)	\$ (163,205)

MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Balance brought forward	\$ (5,062)	\$ (163,205)
<u>Other Income</u>		
Unrealized gain (loss) on investments	(5,887)	99,280
Interest and dividend income	24,128	20,644
Realized gain (loss) on investments	<u>78,127</u>	<u>6,920</u>
<u>Increase (Decrease) In Unrestricted Net Assets From Operating Activities</u>	91,306	(36,361)
<u>Postretirement Benefit Changes Other Than Net Periodic Pension Costs (Loss)</u>	<u>365,122</u>	<u>62,626</u>
<u>Increase (Decrease) In Unrestricted Net Assets</u>	456,428	26,265
<u>Unrestricted Net Assets At Beginning Of Year</u>	<u>745,203</u>	<u>718,938</u>
<u>Unrestricted Net Assets At End Of Year</u>	<u>\$ 1,201,631</u>	<u>\$ 745,203</u>

MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 456,428	\$ 26,265
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	749	2,807
Unrealized (gain) loss on investments	5,887	(99,280)
(Increase) decrease in assets:		
Accounts receivable	(57,613)	(4,597)
Prepaid expenses	4,058	(29,395)
Increase (decrease) in liabilities:		
Accrued postretirement benefits	(325,192)	18,150
Accounts payable	(14,422)	8,310
Deferred dues revenue	(5,542)	5,285
Deferred program revenue	156,519	20,995
Due to related party	3,981	(2,267)
Agency Funds	(5,840)	33,772
Net cash provided (used) by operating activities	<u>219,013</u>	<u>(19,955)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of software	(27,042)	(71,494)
Proceeds from sale of investments	405,620	380,712
Purchase of investments	<u>(501,090)</u>	<u>(401,312)</u>
Net cash provided (used) by investing activities	<u>(122,512)</u>	<u>(92,094)</u>
<u>Increase (Decrease) In Cash</u>	96,501	(112,049)
<u>Cash At Beginning of Year</u>	<u>80,031</u>	<u>192,080</u>
<u>Cash At End of Year</u>	<u>\$ 176,532</u>	<u>\$ 80,031</u>

MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1. Summary of Significant Accounting Policies

A summary of significant accounting policies employed by the Association is as follows:

Nature of Activities

The Massachusetts School Administrators' Association, Inc. (the Association), formerly named the Massachusetts Secondary School Administrators' Association, Inc. is a non-profit organization whose purpose is to support the best possible educational opportunities for elementary, middle and high school students throughout Massachusetts by initiating leadership training and providing services designed to improve administration and instruction.

The Association advocates positions on significant statewide educational matters. The Association supports and administers non-athletic activities.

The Association's support comes primarily from member dues, professional development initiatives, and non-athletic activities in Massachusetts.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards FASB ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under SFAS ASC 958, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Grants which are restricted to the use of various Association programs are reflected as unrestricted revenue if these funds are received and spent during the same year and if they support the activities of the Association within the limits of the Association's Articles of Organization.

Deferred Revenue

Dues and program revenues received prior to the period to which they are related are recorded as deferred revenue.

MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Association is exempt from federal income and state excise taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities in 2018 and 2017. Therefore, the Association has made no provision for federal income and state excise tax in the accompanying financial statements.

As of June 30, 2018, the Association has no uncertain tax positions that qualify for disclosure in the financial statements. Tax years still open under federal and state statute of limitations remain subject to review and change.

Investments

The Association follows ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities*. Under ASC 958-320 investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment

Property and equipment are recorded at cost. The Association capitalizes property and equipment with costs greater than \$1,000 and with useful lives in excess of one year. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are as follows:

Office furniture	Five Years
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MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Postretirement Benefits

The Association has adopted Financial Accounting Standard Board Codification FASB ASC 715 *Employers' Accounting for Postretirement Benefits*. FASB ASC 715 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the Statement of Financial Position and to recognize changes in funded status in the year in which the changes occur through changes in unrestricted net assets.

Fair Values of Financial Instruments

FASB ASC 825-10 requires the Association to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Association's financial instruments.

The carrying amounts of cash, receivables, and accounts payable approximate fair value because of the relatively short maturity of those instruments. Marketable securities are valued at quoted prices in active markets (Level 1 measurements).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Investments

Investments are reported at aggregate fair value based on quoted market prices for those investments. Unrealized gains and losses are included in earnings and reported in the statements of activities. The specific identification cost basis is used to determine realized gain or loss of securities. All securities are considered available for sale. Money market funds held within the brokerage accounts are treated as investments.

MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

Note 2. Investments (Continued)

The Association held the following investments at June 30, 2018 and 2017:

<u>June 30, 2018</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity and debt securities	\$ 952,592	\$ 1,130,200	\$ 177,608
Money market funds	<u>28,717</u>	<u>28,717</u>	<u>-</u>
	<u>\$ 981,309</u>	<u>\$ 1,158,917</u>	<u>\$ 177,608</u>
<u>June 30, 2017</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity and debt securities	\$ 814,334	\$ 997,829	\$ 183,495
Money market funds	<u>71,505</u>	<u>71,505</u>	<u>-</u>
	<u>\$ 885,839</u>	<u>\$ 1,069,334</u>	<u>\$ 183,495</u>

Components of investment return are as follows:

	<u>2018</u>	<u>2017</u>
Unrealized gains (losses)	\$ (5,887)	\$ 99,280
Realized gains (losses)	78,127	6,920
Interest and dividends (reinvested)	<u>24,128</u>	<u>20,644</u>
Total unrestricted investment income	<u>\$ 96,368</u>	<u>\$ 126,844</u>

Note 3. Property and Equipment

Property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Office furniture and equipment	\$ 156,337	\$ 129,295
Less: Accumulated depreciation	<u>(57,802)</u>	<u>(57,054)</u>
	<u>\$ 98,535</u>	<u>\$ 72,241</u>

MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

Note 3. Property and Equipment (Continued)

Depreciation charged to operations totaled \$749 and \$2,807 for the years ended June 30, 2018 and 2017, respectively.

Note 4. Related Party Transactions

The Association shares employees and facilities with the Massachusetts Interscholastic Athletic Association, Inc., (MIAA). Rent payments to MIAA total \$50,000 and \$46,500 for the years ended June 30, 2018 and 2017, respectively. Several employees including executive staff perform services for the Association and MIAA. The salaries of individuals working for both organizations, occupancy costs (including rent), and other mutual expenses totaling \$713,049 and \$714,530 were allocated to the Association for the years ended June 30, 2018 and 2017, respectively.

The Association owed \$14,020 and \$10,039 to MIAA at June 30, 2018 and 2017, respectively.

Note 5. Pension and Other Post-Retirement Plans

The Association maintains a 403(b) Plan, the MIAA/MSAA Pension Plan (the "Pension Plan"), which was originally effective July 1, 1996. The Association contributes to the Plan on behalf of eligible employees (as defined in the Plan), a percentage of Plan Compensation from 7% to 12.6% based on Months of Service regardless of whether or not a Participant makes pre-tax contributions to the Plan. The Association's contribution is subject to a six-year graded vesting schedule. Participant contributions are fully vested.

Effective July 1, 2008, the Association established the MIAA/MSAA Retirement Plan (the "Retirement Plan"), a contributory defined benefit pension plan for its eligible employees (as defined in the Plan). The Retirement Plan benefit formula is generally based on the Massachusetts Teacher's Retirement System Plan. The Plan's benefit formula considers age, years of service (up to a maximum of 32 years) and applies a percentage factor to Plan defined compensation. The resulting amount is offset by a calculation (as specified in the Plan) that annuitizes the "Theoretical Employer Account Balance" attributable to the Association's contributions. The benefit amount is then further offset by the Participant's annual Social Security Benefit (as defined in the Plan) payable at their "Social Security Retirement Age". This figure ("Benefit 1") is then grossed up for the applicable Massachusetts State Income Tax Rate. The Participant's annual Normal Retirement Benefit is then determined to be the greater of (i) Benefit 1, (ii) a calculation (as defined in the Plan) based on the Participant's "Mandatory Employee Contributions" of 4.8% of salary with interest, in accordance with Plan terms or (iii) a minimum benefit of \$120.00 times a Participant's Years of Service. The Normal Retirement Benefit is subject to a seven-year graded vesting schedule.

MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

Note 5. Pension and Other Postretirement Plans (Continued)

The Association also maintains the MIAA/MSAA Post-Retirement Medical Insurance Premium Plan (the "Plan"), effective July 1, 2008, to subsidize the cost of post-retirement medical insurance premiums for the Association's post-retirement medical insurance policy then in effect for eligible retired employees and their "Immediate Family Members" ("Participants") (as defined in the Plan), based on Years of Service. In order to fund the Association's share of the cost, it established a Voluntary Employee Benefit Association or "VEBA" pursuant to Sections 501 (c) (9) and 512 of the Internal Revenue Code of 1986 as amended.

The accrued unfunded (overfunded) postretirement benefits reflected in the statement of financial position is made up of the following:

	2018	2017
Accrued pension benefits (overfunded)	\$ (372,421)	\$ (105,196)
Accrued postretirement health benefits	307,564	368,774
Accrued vacation and sick pay	31,774	28,531
	(33,083)	292,109
Less: Current portion	(26,523)	(7,967)
Portion due in excess of one year	\$ (59,606)	\$ 284,142

The following table sets forth the funded status of both postretirement plans reconciled with the amount shown in the Association's statement of financial position at June 30, 2018 and 2017.

	Pension Benefits		Postretirement Health Benefits	
	2018	2017	2018	2017
Postretirement benefit obligation	\$ 421,439	\$ 623,228	\$ 750,252	\$ 779,187
Plan assets at fair value	(793,860)	(728,424)	(442,688)	(410,413)
Postretirement benefit obligation in excess of plan assets included in the Statements of Financial Position (Assets Exceed Obligation)	\$ (372,421)	\$ (105,196)	\$ 307,564	\$ 368,774

The expected postretirement health benefit obligation at June 30, 2018 and 2017 was \$ 1,147,954 and \$805,185. This represents the actuarial present value of the total future obligation for the current workforce. The accumulated postretirement benefit is the portion of the total obligation earned to date and is used as the postretirement health benefit obligation in these financial statements.

MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

Note 5. Pension and Other Postretirement Plans (Continued)

Included in the Statement of Activities under Insurance and Employee Benefits are the following pension and postretirement health plan expenses.

	<u>2018</u>	<u>2017</u>
Pension Plan	\$ (43,418)	\$ 9,094
403(b) Plan	48,311	43,012
Postretirement health benefits	<u>80,105</u>	<u>89,627</u>
	<u>\$ 84,998</u>	<u>\$ 141,733</u>

Net periodic postretirement benefit costs for June 30, 2018 and 2017 included the following components:

	<u>Pension Benefits</u>		<u>Postretirement Health Benefits</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Service cost – benefits attributed to service during the period	\$ -	\$ -	\$ 55,408	\$ 58,492
Interest cost on accumulated postretirement benefit obligation	14,440	19,630	30,813	27,712
Expected return on plan assets	(57,858)	(48,349)	(13,267)	(12,281)
Amortization of transition obligation	-	-	9,502	9,502
Prior Service Cost	-	-	(6,143)	(6,143)
Recognition of (gains)/losses	-	37,813	3,792	12,345
Net periodic postretirement benefit cost deducted under administrative operations in the Statements of Activities	<u>\$ (43,418)</u>	<u>\$ 9,094</u>	<u>\$ 80,105</u>	<u>\$ 89,627</u>

The assumptions at June 30, used by the Association to calculate the benefit obligations as of that date and to determine the benefit cost in the subsequent year are as follows:

Weighted-average assumptions	<u>Pension Benefits</u>		<u>Postretirement Health Benefits</u>	
Discount rate (beginning of period)	3.625%	3.25%	3.875%	3.625%
Discount rate (end of period)	3.875%	3.625%	4.125%	3.875%
Rate of increase in compensation levels (beginning of period)	5.00%	5.00%	-	-
Rate of increase in compensation levels (end of period)	5.00%	5.00%	-	-
Expected return on plan assets	8.00%	8.00%	3.00%	3.00%
Health care cost trend rates:				
Pre-Medicare	-	-	5.50%	5.50%
Medicare	-	-	2.50%	2.50%

MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 AND 2017

Note 6. Commitments

On December 2, 2009 the Board of Directors voted and the Association agreed to continue the disability benefits for two executives beyond the point at which the Association disability policy stops coverage, for the duration of and to the extent of its obligation under their existing contracts. As of June 30, 2018 only one of the two executives remains under contract.

Note 7. Evaluation of Subsequent Events

The Association has evaluated subsequent events through October 18, 2018 the date which the financial statements were available to be issued.

Note 8. Concentration of Credit Risk

The checking accounts are subject to potential concentration of credit risk. At times, the balances in these accounts may be in excess of federally insured limits.

Marco Seidman, CPA PC

SUPPLEMENTARY INFORMATION

MASSACHUSETTS SCHOOL ADMINISTRATORS' ASSOCIATION, INC.
SCHEDULES OF OTHER GENERAL AND ADMINISTRATIVE EXPENSES
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Other general and administrative		
Office operations	\$ 129,512	\$ 109,703
Professional fees	85,654	72,999
Committee meetings	38,192	32,688
Technology	36,765	27,077
Administrative expenses	32,606	24,147
Publication – Leader	<u>16,567</u>	<u>15,208</u>
Total other general administrative expenses	<u>\$ 339,296</u>	<u>\$ 281,822</u>