

# **Association of School Business Officials International**

## **Independent Auditor's Report and Financial Statements**

**March 31, 2022**



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## Independent Auditor's Report

Board of Directors  
Association of School Business Officials International  
Ashburn, VA

### ***Opinion***

We have audited the financial statements of Association of School Business Officials International, which comprise the statement of financial position as of March 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Association of School Business Officials International as of March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Association of School Business Officials International and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Association of School Business Officials International's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit 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 Association of School Business Officials International's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Association of School Business Officials International's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**FORVIS,LLP**

**Tysons, VA  
January 26, 2022**

**Association of School Business Officials International**  
**Statement of Financial Position**  
**March 31, 2022**

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**ASSETS**

Current assets:

Cash and cash equivalents	\$	1,136,978
Investments		6,080,502
Contract assets, net of allowance		311,875
Prepaid expenses		<u>165,736</u>

Total current assets		7,695,091
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Property and equipment, net		<u>1,702,656</u>
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	\$	<u><u>9,397,747</u></u>
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**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable and accrued expenses	\$	165,104
Accrued payroll and related liabilities		123,242
Contract liabilities		<u>1,373,160</u>

Total current liabilities		1,661,506
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Total liabilities		1,661,506
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Net assets:

Without donor restrictions		<u>7,736,241</u>
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Total net assets		<u>7,736,241</u>
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	\$	<u><u>9,397,747</u></u>
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**Association of School Business Officials International**  
**Statement of Activities**  
**Year Ended March 31, 2022**

Revenue:	
Finance	\$ 483
Membership	674,201
Recognition programs	960,605
PPP loan forgiveness	330,396
ERC grant income	146,854
Certification	66,353
Professional development	103,059
Annual conference and expo	708,534
Executive Leadership Forum	140,195
Eagle Institute	191,400
Strategic governance symposium	12,396
Communications and marketing	240,970
Corporate partnerships	628,951
Investment loss	(65,989)
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Total revenue	4,138,408
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Expenses:	
Program expenses:	
Membership	257,896
Recognition programs	571,966
Certification	173,514
Professional development	358,008
Annual conference and expo	781,532
Executive leadership forum	229,751
Eagle Institute	215,271
Strategic governance symposium	43,612
Communications and marketing	551,297
Corporate partnerships with partner summit	271,281
Affiliate relations	114,114
Site selection and planning visits	4,344
External organization collaboration	36,353
Legislative	191,654
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Total program expenses	3,800,593
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Supporting services and governance:	
Finance	780,445
Governance	309,647
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Total supporting services and governance	1,090,092
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Total expenses	4,890,685
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Change in net assets	(752,277)
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Net assets without donor restrictions, beginning of year	8,488,518
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Net assets without donor restrictions, end of year	\$ 7,736,241
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See accompanying notes.

Association of School Business Officials International  
 Statement of Functional Expenses  
 Year Ended March 31, 2022

	Program Services								
	Membership	Recognition Programs	Certification	Professional Development	Annual Conference & Expo	Executive Leadership Forum	Eagle Institute	Strategic Governance Symposium	Communications & Marketing
Salaries	\$ 148,429	\$ 201,082	\$ 99,293	\$ 220,726	\$ 119,840	\$ 70,571	\$ 57,448	\$ 20,746	\$ 204,126
Benefits and payroll taxes	37,605	64,971	31,707	54,706	25,409	15,957	11,484	4,670	47,796
Business insurance	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Travel	-	698	300	-	7,968	2,886	2,185	465	-
Supplies and postages	7,208	1,222	222	358	879	837	170	-	44,351
Maintenance and repairs	-	-	-	-	-	-	-	-	-
Building services, tax, fees	-	-	-	-	-	-	-	-	-
Professional and contract services	35,700	207,701	37,510	47,301	141,275	30,092	14,284	6,000	195,381
Printing	17,452	3,410	826	2,778	3,091	1,729	193	1,080	54,829
Scholarships	-	30,420	-	-	-	-	-	-	-
Bank charges and fees	-	-	-	-	-	-	-	-	-
Meeting expenses	-	4,871	522	-	452,312	104,169	124,424	10,651	-
Plaques, certificates, pins, etc.	939	55,331	-	-	4,139	-	-	-	238
License fees	10,233	157	3,134	29,904	26,619	3,510	5,083	-	4,451
Staff professional development and other fees	330	2,103	-	2,235	-	-	-	-	125
Total	\$ 257,896	\$ 571,966	\$ 173,514	\$ 358,008	\$ 781,532	\$ 229,751	\$ 215,271	\$ 43,612	\$ 551,297

Association of School Business Officials International  
 Statement of Functional Expenses  
 Year Ended March 31, 2022

	Program Services					Management and General				
	Corporate Partnerships with Partner Summit	Affiliate Relations	Site Selection & Planning Visits	External Organization Collaboration	Legislative	Program Total	Administration & Finance	Governance	M&G Total	Total
Salaries	\$ 177,496	\$ 81,285	\$ 1,912	\$ 28,596	\$ 97,477	\$ 1,529,027	\$ 175,741	\$ 203,666	\$ 379,407	\$ 1,908,434
Benefits and payroll taxes	40,951	19,644	392	6,345	23,801	385,438	36,494	47,613	84,107	469,545
Business insurance	-	-	-	-	-	-	44,817	-	44,817	44,817
Depreciation	-	-	-	-	-	-	110,217	-	110,217	110,217
Travel	282	8,283	1,810	707	6,896	32,480	-	10,585	10,585	43,065
Supplies and postages	(230)	14	-	-	58	55,089	6,610	249	6,859	61,948
Maintenance and repairs	-	-	-	-	-	-	16	-	16	16
Building services, tax, fees	-	-	-	-	-	-	97,674	-	97,674	97,674
Professional and contract services	21,036	-	-	-	14,950	751,230	198,812	-	198,812	950,042
Printing	-	-	-	-	-	85,388	-	-	-	85,388
Scholarships	-	-	-	-	-	30,420	-	-	-	30,420
Bank charges and fees	-	-	-	-	-	-	64,522	-	64,522	64,522
Meeting expenses	29,896	3,397	230	-	20,624	751,096	1,400	36,392	37,792	788,888
Plaques, certificates, pins, etc.	1,387	1,491	-	-	119	63,644	187	4,276	4,463	68,107
License fees	463	-	-	-	8,557	92,111	23,921	1,586	25,507	117,618
Staff professional development and other fees	-	-	-	705	19,172	24,670	20,034	5,280	25,314	49,984
Total	\$ 271,281	\$ 114,114	\$ 4,344	\$ 36,353	\$ 191,654	\$ 3,800,593	\$ 780,445	\$ 309,647	\$ 1,090,092	\$ 4,890,685

See accompanying notes.



**Association of School Business Officials International**  
**Statement of Cash Flows**  
**Year Ended March 31, 2022**

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Cash flows from operating activities:	
Change in net assets	\$ (752,277)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Net realized and unrealized loss on investments	142,948
Depreciation and amortization	110,217
Forgiveness of Paycheck Protection Program loan	(330,396)
Change in assets and liabilities:	
Contract assets, net of allowance	(99,589)
Prepaid expenses	(45,090)
Accounts payable and accrued expenses	14,559
Accrued payroll and related liabilities	(22,030)
Contract liabilities	193,223
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Net cash used by operating activities	(788,435)
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Cash flows from investing activities:	
Purchase of property and equipment	(23,793)
Purchase of investments	(3,982,529)
Proceeds from sale of investments	4,717,528
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Net cash provided by investing activities	711,206
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Net change in cash and cash equivalents	(77,229)
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Cash and cash equivalents, beginning of year	1,214,207
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Cash and cash equivalents, end of year	<u><u>\$ 1,136,978</u></u>
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Supplemental noncash financing activity:	
Paycheck Protection Program loan forgiveness	<u><u>\$ 330,396</u></u>

## **Notes to Financial Statements**

### **1. Organization and Nature of Activities**

Association of School Business Officials International (the Association) was founded in 1910 and has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3). The Association's purpose is to support school business professionals to help provide quality education by providing programs, services, and a global network to promote the highest business standards of school business management, professional growth, and the effective use of educational resources. Major sources of the Association revenue include member dues, fees to Association sponsored events, and investment income.

### **2. Summary of Significant Accounting Policies**

#### ***Contributions and basis of presentation***

Contributions are generally available for unrestricted use unless specifically restricted by the donor. The Association classifies its resources for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions. The financial statements report separately by class of net assets as follows:

- Net assets without donor restrictions – not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Association's management and the Board of Directors.
- Net assets with donor restrictions – subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Association had no net assets with donor restrictions at March 31, 2022.

#### ***Revenue recognition***

Membership dues and corporate partnership are recognized ratably over the applicable membership period to which they apply. Other revenue is recognized in the period earned. Corporate partnership revenue is allocated between different revenue line items based on the activity benefited. Total corporate partnership revenue was \$1,113,330 in 2022, of which \$183,214 was allocated to communications and marketing, \$20,000 was allocated to professional development, \$90,000 was allocated to annual conference and expo, \$108,990 was allocated to recognition programs, \$56,000 was allocated to Eagle Institute, and \$26,175 to membership. The remaining \$628,951 is presented as corporate partnership revenue on the Statement of Activities.

Contributions are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed stipulations. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless the use is restricted by the donor of the assets or by laws.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**Association of School Business Officials International**  
**Notes to Financial Statements**

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**Disaggregation of revenue from contracts with customers**

Membership dues and corporate partnership are recognized over time. Ancillary revenue is recognized at a point in time includes recognition programs, certification, professional development, annual conference and expo, Executive Leadership Forum, Eagle Institute, strategic governance symposium, and communications and marketing.

The following table disaggregates the Association's revenue based on the timing of satisfaction of performance obligation for the years ended March 31, 2022:

Performance obligations satisfied over time	\$ 1,303,152
Performance obligations satisfied at a point in time	<u>2,423,512</u>
	<u>\$ 3,726,664</u>

**Cash and cash equivalents**

For purposes of reporting the statement of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets. Investments consist of certificates of deposits.

**Contract assets**

Contract assets are stated at the amount management expects to collect from outstanding balances. The Association uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and other circumstances. At March 31, 2022, management has recorded \$5,000 as allowance for doubtful accounts. Contract assets as of April 1, 2021 totaled \$212,286.

**Property and equipment**

Purchased property and equipment are recorded at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the respective assets. Building and improvements are depreciated over a range of 5 - 40 years and furniture and equipment are depreciated over a range of 3 - 10 years.

When the assets are sold or disposed, the cost and related accumulated depreciation are removed from the accounts with any gain or loss reflected in the current year's operations. Expenditures for maintenance and repairs are expensed as incurred.

**Contract liabilities (deferred revenue)**

In certain instances, the Association collects deposits from members in advance of delivery of the item or service given. The Association recognizes a liability when a member provides payment prior to the Association transferring control of the goods or services ("contract liabilities"). Contract liabilities are relieved, and revenue is recognized upon the transfer of control of promised goods or services to members. Contract liabilities as of April 1, 2021 totaled \$1,179,937.

**Association of School Business Officials International**  
**Notes to Financial Statements**

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***Advertising costs***

Advertising costs are expensed as incurred. Advertising expense was \$16,795 for the year ended March 31, 2022.

***Income taxes***

The Association is exempt from federal and state income taxes as a not-for-profit organization under section 501(c)(3) of the Internal Revenue Code; accordingly, these financial statements do not reflect a provision or liability for federal and state income taxes. The Association has determined that they do not have any material unrecognized tax benefits or obligations as of March 31, 2022.

***Functional expenses***

The costs of providing program and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<b><u>Expense</u></b>	<b><u>Method of Allocation</u></b>
Salaries, benefits & payroll taxes	Time and effort
Printing	Direct charge
Depreciation	Direct charge
Travel	Direct charge
Supplies and postage	Direct charge
Maintenance and repairs	Direct charge
Professional and contract services	Direct charge
Fees and subscriptions	Direct charge
Meeting expenses	Direct charge

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Concentrations of credit risk***

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and investments.

The Association maintains cash in bank deposit accounts, which may at times exceed the Federal Deposit Insurance Corporation (FDIC) limit. The Association has recently minimized risk by affirming an improved fiscal posture and secured short-term cash equivalents in financial instruments that are insured within the FDIC insurance coverage limits. Management believes the Association is not exposed to any significant credit risk.

***Recent accounting pronouncement***

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases". Under the new standards, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For income statement purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The new standard will be effective for the Association for the year beginning April 1, 2022 and the Association is currently evaluating the effect this accounting standard may have on its financial statements.

Gifts in kind

The FASB issued ASU 2020-07, "Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets" to increase transparency related to contributed nonfinancial assets (gifts in kind) through enhancements to presentation and disclosures. ASU 2020-07 is effective for the Association on April 1, 2022, and the Association is currently evaluating the effect this accounting standard may have on its financial statements.

***Subsequent events***

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 26, 2022, the date the financial statements were available to be issued.

**3. Availability and Liquidity**

The following represents the Association's financial assets at March 31, 2022:

Financial assets:	
Cash and cash equivalents	\$ 1,136,978
Contract assets, net	311,875
Prepaid expenses	165,736
Investments	<u>6,080,502</u>
Total financial assets	<u>\$ 7,695,091</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,695,091</u>

The Association's working capital as of March 31, 2022 is \$6,033,585. The Association's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1.5 million). As part of its liquidity plan, excess cash is invested in short-term investments including certificates of deposit. Investments in certificate of deposits are arranged in tiers of maturity dates.

#### **4. Fair Value Measurements**

Fair value is the price that would be received to sell 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. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels are as follows:

- Level 1:** Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Association has the ability to access.
- Level 2:** Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3:** Unobservable inputs about which little or no market data exists, there requiring an entity to develop its own assumption.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of an input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following is a description of the valuation methodologies used for asset measurements at fair value. There have been no changes in the methodologies used at March 31, 2022.

*Certificates of Deposit:* Valued at discounted cash flow based upon maturity dates and applicable market interest rates.

The table below summarizes cash equivalents and investment holding, by level, for items measured at fair value on a recurring basis at March 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ <u>          -</u>	\$ <u>6,080,502</u>	\$ <u>          -</u>	\$ <u>6,080,502</u>
	\$ <u>          -</u>	\$ <u>6,080,502</u>	\$ <u>          -</u>	\$ <u>6,080,502</u>

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future 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.

#### **5. Investment Return**

The following schedule summarizes investment loss for 2022:

Interest income	\$ 76,959
Unrealized and realized loss on investments	<u>(142,948)</u>
	\$ <u>(65,989)</u>

## **6. Property and Equipment**

Property and equipment consisted of the following at March 31, 2022:

Land	\$ 128,900
Building	1,722,284
Building improvements	36,629
Furniture and equipment	<u>363,111</u>
	2,250,924
Less – accumulated depreciation	<u>(548,268)</u>
Net property and equipment	<u>\$ 1,702,656</u>

Depreciation expense was \$110,217 for the year ended March 31, 2022.

## **7. Retirement Plan**

The Association maintains a tax deferred annuity plan that is available to all eligible employees. During 2022, the Association contributed 6% of eligible compensation to the plan resulting in retirement plan expense of \$112,712.

## **8. Leases**

The Association leases equipment and pays maintenance fees under various noncancelable long-term agreements expiring through 2025.

Rent expense for the year ended March 31, 2022 was \$20,043.

Future minimum lease commitments are as follows for the years ended March 31:

2023	\$ 6,802
2024	6,802
2025	<u>4,535</u>
Total	<u>\$ 18,139</u>

## **9. Paycheck Protection Program Loan**

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act provides for the establishment of the Payroll Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

On February 8, 2021, the Association received a PPP loan in the aggregate amount of \$330,396 and has elected to account for the funds received in accordance with ASC Topic 470, Debt. During the period, the Association spent all funds received under the PPP for qualifying purposes, prepared a forgiveness calculation and submitted an application for forgiveness to its lender. As of the statement of financial position date, the Association received notification from the lender and Small Business Administration that the loan had been forgiven and the Association had been relieved of its obligation for the liability. As a result, the Association recognized the outstanding principal balance as a PPP loan forgiveness within the statement of activities.

#### **10. Employee Retention Credit**

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit (ERC). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2021. The credit is available for 70 percent of qualified wages for 2021 with a maximum potential credit per qualified employee of \$28,000.

The Association qualifies for the ERC based on reduction in gross receipts of 50 percent or greater in certain quarters and has elected to account for the ERC as a government grant by analogy to IAS 20, Accounting for Government Grants and Disclosure of Government Assistance. Under IAS 20, the ERC may be recognized once there is reasonable assurance that the Association will comply with the conditions attached to the ERC and the ERC will be received. During the fiscal year ended March 31, 2022, the Association incurred qualifying wages and has recognized \$146,854 associated with the ERC as grant income in the statement of activities and a corresponding receivable in the statement of financial position.

#### **11. Hotel Commitments**

The Association typically signs contracts with hotels for future events a year or longer in advance of the event. It is also not unusual for a cancellation clause to be included in these hotel contracts. At March 31, 2022, the Association had three hotel contract that includes cancellation clauses. These cancellation clauses require the payment of a cancellation fee if the Association cancels the event ranging from \$524,178 to \$1,208,078 at March 31, 2022.