

OREGON SCHOOL BOARDS ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Years Ended June 30, 2021 and 2020



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oregon School Boards Association
Salem, Oregon

We have audited the accompanying financial statements of Oregon School Boards Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oregon School Boards Association as of June 30, 2021 and 2020, 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, 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 audits 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.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
February 15, 2022

FINANCIAL STATEMENTS

OREGON SCHOOL BOARDS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 5,488,598	\$ 5,095,491
Accounts receivable	530,297	547,471
Interest receivable	464,973	495,588
Prepaid expenses	38,668	37,701
Investments	80,355,811	73,885,301
Total current assets	86,878,347	80,061,552
Investment in Local Government Center Trust	1,302,524	1,330,157
Property and equipment		
Land	1,976,831	1,976,831
Furniture and equipment	802,254	802,254
Automobiles	220,145	299,234
Building and building improvements	1,009,363	1,009,364
	4,008,593	4,087,683
Accumulated depreciation	(834,898)	(683,758)
Property and equipment, net	3,173,695	3,403,925
Total assets	\$ 91,354,566	\$ 84,795,634
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 55,861	\$ 73,517
Accrued compensated absences	257,359	238,666
Payroll liabilities	269,983	200,172
Unearned revenue	-	2,550
Due to others	33,986	33,431
Current portion of note payable	60,976	63,238
Other liabilities	1,588	-
Total current liabilities	679,753	611,574
Note payable, net of current portion	257,816	324,171
Total liabilities	937,569	935,745
Net assets		
Without donor restrictions	40,416,997	33,859,889
With donor restrictions	50,000,000	50,000,000
Total net assets	90,416,997	83,859,889
Total liabilities and net assets	\$ 91,354,566	\$ 84,795,634

The accompanying notes are an integral part of these statements.

OREGON SCHOOL BOARDS ASSOCIATION
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Resctrictions	Total
Revenues and support			
Membership dues	\$ 679,339	\$ -	\$ 679,339
Insurance trusts management fees	690,822	-	690,822
Convention and conference fees	90,552	-	90,552
Publication subscriptions	451,267	-	451,267
Contract services	1,657,872	-	1,657,872
Rental revenue	90,704	-	90,704
Endowment earnings	3,960,688	-	3,960,688
Unrealized gain (loss) on investments	6,894,909	-	6,894,909
Gain on disposal of property and equipment	25,671	-	25,671
Interest income	31,982	-	31,982
Miscellaneous revenue	145,714	-	145,714
	<u>14,719,520</u>	<u>-</u>	<u>14,719,520</u>
Total revenues and support			
Expenses			
Program	6,191,456	-	6,191,456
Administration	1,970,956	-	1,970,956
	<u>8,162,412</u>	<u>-</u>	<u>8,162,412</u>
Total expenses			
	<u>8,162,412</u>	<u>-</u>	<u>8,162,412</u>
Change in net assets	6,557,108	-	6,557,108
Net assets, beginning of year	<u>33,859,889</u>	<u>50,000,000</u>	<u>83,859,889</u>
Net assets, end of year	<u>\$ 40,416,997</u>	<u>\$ 50,000,000</u>	<u>\$ 90,416,997</u>

2020		
<u>Without Donor Restrictions</u>	<u>With Donor Resctrictions</u>	<u>Total</u>
\$ 672,290	\$ -	\$ 672,290
633,018	-	633,018
447,672	-	447,672
350,934	-	350,934
1,639,930	-	1,639,930
37,189	-	37,189
3,975,793	-	3,975,793
(3,028,927)	-	(3,028,927)
10,170	-	10,170
85,433	-	85,433
<u>159,033</u>	<u>-</u>	<u>159,033</u>
<u>4,982,535</u>	<u>-</u>	<u>4,982,535</u>
6,471,481	-	6,471,481
<u>2,528,935</u>	<u>-</u>	<u>2,528,935</u>
<u>9,000,416</u>	<u>-</u>	<u>9,000,416</u>
(4,017,881)	-	(4,017,881)
<u>37,877,770</u>	<u>50,000,000</u>	<u>87,877,770</u>
<u>\$ 33,859,889</u>	<u>\$ 50,000,000</u>	<u>\$ 83,859,889</u>

The accompanying notes are an integral part of these statements.

OREGON SCHOOL BOARDS ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2021 and 2020

	2021		
	Program	Administration	Total
Salaries, benefits, and payroll taxes	\$ 4,718,749	\$ 1,256,073	\$ 5,974,822
Sub-contracts	163,152	109,794	272,946
Professional development	15,381	385	15,766
Meetings, conferences, and conventions	22,559	15,001	37,560
Travel	12,073	8,166	20,239
Vehicle expenses	1,767	2,032	3,799
Building expenses	89,601	53,766	143,367
Utilities	13,268	7,961	21,229
Office expenses	520,763	12,458	533,221
Computer expenses	89,588	53,753	143,341
Postage and printing	8,886	5,332	14,218
Professional fees	201,592	120,956	322,548
Insurance	86,401	51,840	138,241
Recruitment	-	14,011	14,011
Special projects	-	12,616	12,616
Dues and subscriptions	85,899	95,471	181,370
Depreciation	143,894	86,336	230,230
Miscellaneous	17,883	65,005	82,888
Total expenses	\$ 6,191,456	\$ 1,970,956	\$ 8,162,412

2020		
<u>Program</u>	<u>Administration</u>	<u>Total</u>
\$ 4,513,931	\$ 1,442,652	\$ 5,956,583
92,010	177,070	269,080
19,238	9,445	28,683
393,278	122,180	515,458
81,178	60,370	141,548
6,536	20,428	26,964
77,181	46,309	123,490
11,977	7,187	19,164
539,182	23,509	562,691
150,415	90,249	240,664
15,417	9,251	24,668
119,952	71,972	191,924
71,251	42,750	114,001
-	14,934	14,934
75,335	141,510	216,845
110,939	98,321	209,260
151,625	90,975	242,600
42,036	59,823	101,859
<u>\$ 6,471,481</u>	<u>\$ 2,528,935</u>	<u>\$ 9,000,416</u>

The accompanying notes are an integral part of these statements.

OREGON SCHOOL BOARDS ASSOCIATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 6,557,108	\$ (4,017,881)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	230,230	242,600
Unrealized (gain) loss on investments	(6,894,909)	3,028,927
Amortization of bond premium	160,889	235,477
Gain on disposal of property and equipment	(25,671)	(10,170)
Realized gain on sale of investments	(1,310,703)	(1,198,623)
(Increase) decrease in:		
Accounts receivable	17,174	(344,794)
Other current assets	29,648	192,183
Increase (decrease) in:		
Accounts payable	(17,656)	(18,356)
Accrued compensated absences	18,693	59,931
Payroll liabilities	69,811	(28,248)
Unearned revenue	(2,550)	(81,970)
Other current liabilities	2,143	(7,750)
Net cash used by operating activities	(1,165,793)	(1,948,674)
Cash flows from investing activities		
Purchases of investments	(6,791,385)	(10,312,791)
Proceeds from investments	8,393,231	14,283,517
Purchase of property and equipment	-	(1,225,742)
Proceeds from disposal of property and equipment	25,671	10,170
Net cash provided by investing activities	1,627,517	2,755,154
Cash flows from financing activities		
Payments on note payable	(68,617)	-
Net increase in cash and cash equivalents	393,107	806,480
Cash and cash equivalents, beginning of year	5,095,491	4,289,011
Cash and cash equivalents, end of year	\$ 5,488,598	\$ 5,095,491
Noncash investing and financing activities		
Gross purchase of property and equipment	\$ -	\$ (1,613,151)
Real property financed under assumption of note payable	-	387,409
Purchase of property and equipment	\$ -	\$ (1,225,742)
Cash paid for interest	\$ 23,383	\$ -

The accompanying notes are an integral part of these statements.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

1. Organization

The Oregon School Boards Association (OSBA or the Association) was organized in 1946 in Eugene, Oregon. It is a voluntary, incorporated association of local boards of education. The primary sources of revenue are from investment earnings, contract income for services rendered, and membership dues. Dues are collected from member districts annually; membership is voluntary.

Any school district, education service district, or community college may become a member of OSBA by applying and paying the annual membership dues. Membership can be terminated by a district at any time. OSBA may terminate membership for non-payment of fees.

OSBA is exempt from federal income taxes under Internal Revenue Code Section 115.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

OSBA's records are maintained on an accrual basis whereby revenues are recognized when earned and expenses are recognized when liabilities are incurred.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of OSBA and changes therein are classified and reported as follows:

Net assets without donor restrictions – Revenue, gains, and other support that have no external restrictions on their use or purpose and can be used for any purpose consistent with the bylaws are without donor restrictions. Net assets without donor restrictions include all assets available for general purposes.

Within this category are net assets without donor restrictions for financial reporting purposes that are considered conditionally restricted by the Board, available only upon a two-thirds majority vote by the Board. These reserves are being held in an endowment with the investment earnings being made available to fund OSBA's operations. In June 2019, the Board approved a policy to reduce the amount of net assets without Board restrictions to be at least 15 percent of OSBA's approved budget with a maximum of \$10,000,000, increasing board-restricted net assets to equal all net assets without donor restrictions in excess of that amount. The amount of board-restricted net assets was \$30,416,997 and \$23,859,889 as of June 30, 2021 and 2020, respectively.

Net assets with donor restrictions – Revenue, gains and other support that have been restricted by external parties or by law are reported as net assets with donor restrictions. Effective July 1, 2008, the OSBA Employee Benefits Insurance Trust discontinued its operations. At that time, the Trust's balances were transferred to the Association pursuant to the Trust Agreement. The resolution for dissolution called for an establishment of a \$50,000,000 reserve to be held in perpetuity to protect the funds in a manner consistent with the agreement. These are considered net assets with restrictions that are perpetual in nature.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of basic 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 reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances in deposit accounts and amounts in the Oregon State Treasurer's Local Government Investment Pool. Cash equivalents are stated at cost, which approximates fair market value.

Accounts Receivable

Accounts receivable are recorded on the accrual basis of accounting and represent membership dues, amounts due from reinsurance providers, and fees for services provided, as well as miscellaneous refunds. Due to the nature of the receivables and the likelihood of collection, no allowance for uncollectible accounts is considered necessary by management.

Property and Equipment

Property and equipment are defined as assets with an initial individual cost in excess of \$5,000 and a useful life of more than one year. Property and equipment are stated at cost, less accumulated depreciation, which is computed on the straight-line method over the estimated useful lives of the assets. Donated property and equipment are recorded at estimated fair market value at the date of donation. Useful lives are as follows: 3 to 5 years for furniture and equipment and automobiles, and 15 years for building improvements. Depreciation expense for the years ended June 30, 2021 and 2020, was \$236,985 and \$242,600, respectively.

Accrued Compensated Absences

Employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. The liabilities for vested or accumulated vacation leave, compensatory time, and retirement benefits are reported on the statements of financial position. Total unpaid compensated absences at June 30, 2021 and 2020, were reported based on total vested hours multiplied by current wage rates.

No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Unearned Revenue

Unearned revenue arises when resources are received by OSBA before it has a legal claim to them, as when membership dues are received in advance. In subsequent periods, when revenue earning criteria is met, the liability for unearned revenue is removed and revenue is recognized.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Liquidity and Availability of Resources

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 5,488,598	\$ 5,095,491
Accounts receivable	530,297	547,471
Interest receivable	464,973	495,588
Investments	80,355,811	73,885,301
	86,839,679	80,023,851
Less: Board-designated funds	(30,416,997)	(23,859,889)
Less: Net assets with restrictions held in perpetuity	(50,000,000)	(50,000,000)
Financial assets available for general expenditure	\$ 6,422,682	\$ 6,163,962

See Basis of Accounting and Presentation section of Note 2 for discussion regarding the reductions from financial assets available for general expenditure.

Recent Accounting Standards Adopted

During the year ended June 30, 2021, OSBA adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2014-09 *Revenue from Contracts with Customers* (ASC Topic 606) and related subsequently issued and clarifying ASUs. Topic 606 and related ASUs supersede previous revenue recognition principles for exchange transactions and establish a core principle requiring the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for such goods or services. OSBA adopted the new standard effective July 1, 2020, using the full retrospective approach.

Revenue Recognition and Performance Obligations

Based on OSBA's evaluation process and review of its contracts with members, the timing and amount of revenue recognized previously are consistent with how revenue is recognized under the new standard. OSBA's revenue is recognized as the performance obligations are satisfied, either at a point in time or over a period of time. Revenues such as membership dues and publication subscriptions are recognized over a period of time, typically the same period as OSBA's fiscal year. Revenues associated with conventions and conferences, as well as contract services are recognized at a point in time when the convention or conference has occurred or the services have been provided. Insurance and legal revenues are essentially reimbursements of costs of a related party for services provided for OSBA members. Such revenues are recognized upon the incurrence of related expenses, resulting in revenue being recorded in the period that expenses are incurred. No change to previously reported net assets was required due to the adoption of the standard and the adoption has not resulted in the recognition of additional assets or liabilities.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

The Association allocates its expenses on a functional basis among its program and support services. The Association has no fundraising expenses. Direct expenses are allocated using distinct cost centers. Certain shared expenses are allocated pro-rata among the different departments of the Association. Accordingly, certain costs have been allocated among the program and support services.

3. Cash and Cash Equivalents

At June 30, cash and cash equivalents consisted of the following:

	<u>2021</u>	<u>2020</u>
Petty cash	\$ 175	\$ 175
Demand deposits	1,697,209	2,566,538
Oregon State Treasurer's Local Government Investment Pool	<u>3,762,774</u>	<u>2,528,778</u>
Total cash and cash equivalents	<u>\$ 5,488,598</u>	<u>\$ 5,095,491</u>

OSBA maintains its cash in a bank deposit account with a financial institution, at times in excess of the federally insured amount of \$250,000. Financial institutions insure these balances in excess of the federally insured amount via the Oregon State Treasurer's office by designating these balances as Public Funds per Oregon Revised Statutes (ORS) Chapter 295.

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is a part. Participation by local governments is voluntary. At June 30, 2021 and 2020, the carrying value of the position in the Oregon State Treasurer's Short-Term Investment Pool approximates fair value. The investment in the Oregon Short-Term Fund is not subject to risk evaluation and principal is not guaranteed or insured.

4. Investments

Investments are stated at fair value as determined by quoted market prices and consist of mutual funds that are invested primarily in debt and equity securities.

Fair Value Measurements

OSBA uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

4. Investments, continued

Fair Value Measurements, continued

FASB ASC 820 provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with FASB ASC 820, OSBA groups its financial assets and financial liabilities generally measured at fair value based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

4. Investments, continued

Fair Value Measurements, continued

The following tables present OSBA's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30:

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Debt securities:				
Governmental bonds	\$ 4,196,133	\$ -	\$ -	\$ 4,196,133
Corporate bonds	-	34,546,182	-	34,546,182
Foreign bonds and notes	-	1,981,459	-	1,981,459
Private placements	-	796,068	-	796,068
Other	-	508,209	-	508,209
Equity securities:				
U.S. equities	29,674,176	-	-	29,674,176
International equities	5,523,692	-	-	5,523,692
Real estate investment trusts	-	-	3,129,892	3,129,892
Total assets at fair value	<u>\$ 39,394,001</u>	<u>\$ 37,831,918</u>	<u>\$ 3,129,892</u>	<u>\$ 80,355,811</u>

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Debt securities:				
Governmental bonds	\$ 4,207,632	\$ -	\$ -	\$ 4,207,632
Corporate bonds	-	39,463,574	-	39,463,574
Foreign bonds and notes	-	1,921,806	-	1,921,806
Private placements	-	820,188	-	820,188
Equity securities:				
U.S. equities	19,450,870	-	-	19,450,870
International equities	4,905,951	-	-	4,905,951
Real estate investment trusts	-	-	3,115,280	3,115,280
Total assets at fair value	<u>\$ 28,564,453</u>	<u>\$ 42,205,568</u>	<u>\$ 3,115,280</u>	<u>\$ 73,885,301</u>

The following tables set forth a summary of changes in the fair value of Level 3 assets for the years ended June 30, 2021 and 2020:

	Real Estate Investment Trusts
Balance, July 1, 2019	\$ 2,274,998
Realized and unrealized gain	134,309
Purchases, sales, settlements and other reductions (net)	<u>705,973</u>
Balance, June 30, 2020	3,115,280
Realized and unrealized gain	380,488
Purchases, sales, settlements and other reductions (net)	<u>(365,876)</u>
Balance, June 30, 2021	<u>\$ 3,129,892</u>

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

4. Investments, continued

Investment Objectives

OSBA's investment objectives are ranked in order of importance. No speculative activity on securities is permitted.

- A. To retain liquidity and provide income to meet projected or unexpected cash needs.
- B. To attain the best possible total return (yield and market appreciation) while retaining liquidity and minimizing risk.
- C. To assure the safety of principal.

Investment Securities Diversification

Permitted Transactions:

- A. Federally insured certificates of deposits, savings accounts, and money market funds that invest in government backed securities.
- B. Bank repurchase agreements, banker acceptances, and commercial paper.
- C. U.S. Treasury Bills and U.S. Government Securities that are backed by full faith of the U.S. government.
- D. Investment grade (BBB) or better individual corporate or municipal bonds.
- E. Exchange traded funds.
- F. Open-end and closed-end mutual funds.
- G. Equities of corporations listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX), and large and medium capitalization companies listed on National Association of Securities Dealers Exchange (NASDAQ).
- H. Master Limited Partnerships (MLPs).
- I. Real Estate Investment Trusts (REITs).

Fixed Income Securities:

- A. In addition to government treasuries and agencies, all other marketable issues held should have a minimum quality rating of investment grade or better at time of purchase as designated by a recognized rating service. For purposes of commercial paper holdings, issues held should have a minimum quality rating of "A1-P1", as defined by a recognized rating service.
- B. The average duration will not exceed 10 years.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

4. Investments, continued

Investment Securities Diversification, continued

Fixed Income Securities, continued:

- C. The maximum investment in any one fixed income security will be limited to 5 percent of the fixed income portfolio, at time of purchase (government and agency obligations are excluded from this limitation).
- D. Commercial paper and repurchase agreements, as well as convertible securities and bonds, are considered acceptable assets.

Diversification:

- A. In order to minimize the risk of large losses in individual security positions, the portfolio will be constructed to attain extensive diversification in both equity and fixed income investments with no material concentration of plan assets in any single security or industry group with the exception of U.S. government and agency obligations.
- B. Economic sectors: It is expected that the equity component of the portfolio will reflect a broad economic sector diversification.

The OSBA Board of Directors has adopted the following asset allocation formula for OSBA's investment manager. The formula is consistent with the desired objectives and risk tolerances of the funds.

<u>Asset Category</u>	<u>Preferred Allocation</u>	<u>Total Range</u>
Equities	40%	20 - 50%
Bonds/fixed income	55%	30 - 70%
Cash/equivalents	5%	0 - 20%

The above formula may be altered to either reduce market risk or optimize opportunities to capitalize on expected market movement.

5. Note Payable

During the year ended June 30, 2020, OSBA assumed an installment note payable as part of a purchase of real property.

At June 30, note payable consisted of the following:

	<u>2021</u>	<u>2020</u>
Note payable to Bellinger Bros, LLC with principal and interest payments of \$7,500 beginning July 2020 and principal and interest payments of \$7,000 beginning September 2020, interest rate at 6.00%. Final payment of principal and interest due November 2025, secured by land and building.	\$ 318,792	\$ 387,409
Current portion	<u>(60,976)</u>	<u>(63,238)</u>
Note payable, net of current portion	<u>\$ 257,816</u>	<u>\$ 324,171</u>

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

5. Note Payable, continued

Annual maturities of note payable obligations in each of the next five years and thereafter are as follows:

<u>For the Year Ending December 31,</u>	
2022	\$ 60,976
2023	70,447
2024	74,792
2025	79,405
2026	33,172
Thereafter	<u>-</u>
Total	<u>\$ 318,792</u>

6. Retirement Plans

Plan Description

Contributions are made to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post-employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

PERS is administered under ORS Chapter 238. ORS 238.620 establishing the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

Members of PERS are required to contribute 6 percent of their salary covered under the plan. The Association is required by ORS 238.225 to contribute at an actuarially determined rate. The rate effective July 1, 2019, is 28.02 percent of salary covered under the plan for Tier 1 and Tier 2 employees and 20.31 percent for employees covered under the Oregon Public Services Retirement Plan (OPSRP). The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The contributions to PERS for the years ended June 30, 2021 and 2020, were \$1,047,727 and \$1,065,873, respectively, and were equal to the required contributions for the year.

The Association elected to contribute the 6 percent "pick-up" of the employee's portion starting January 1, 2005.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The OPSRP is effective for all new employees hired on or after August 29, 2003. The new plan consists of a defined benefit program (the Pension Program) and a defined contribution portion (the Individual Account Program or IAP). The Pension Program portion of OPSRP provides a life pension funded by employer contributions.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

6. Retirement Plans, continued

Plan Description, continued

Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service.

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP systems as long as they remain in covered employment.

The Association's pension liability and the annual required contribution rate were determined using the entry age cost method. The unfunded actuarial liability (UAL) created by this method, including gains and losses, is amortized as a level percentage of salary over a period commencing on the valuation date (2001, 2003, 2005, 2007, 2009, and 2011) and ending on December 31, 2027, using closed amortization. Beginning in 2007, each valuation's UAL will be amortized over 20 years, again using closed amortization. As of December 31, 2020, the actuarial assumptions include an investment return of 6.90 percent, inflation of 2.40 percent, and payroll growth of 3.40 percent. As of December 31, 2019, the actuarial assumptions include an investment return of 7.2 percent, inflation of 2.50 percent, and payroll growth of 3.50 percent.

<u>Actuarial Valuation Date</u>	<u>Actuarial Liability Accrued</u>	<u>Unfunded Actuarial Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
12/31/2020	\$ 8,561,780	\$ 8,561,780	69%	\$ 3,819,638	224%
12/31/2019	\$ 7,484,166	\$ 7,484,166	71%	\$ 3,647,493	205%

The actuary has determined that there is no implicit subsidy to recognize.

7. Investment in Local Government Center Trust

The Local Government Center Trust was established by OSBA, together with the League of Oregon Cities and the Association of Oregon Counties, to hold title to jointly-owned property. The Local Government Center, owned by the organizations, houses the operations of these organizations. Each organization is entitled to an undivided interest in properties held by the Trust according to the distribution ratio of the Declaration of Trust, as amended. Each organization is required to pay its proportionate share of expenditures for operation and maintenance of the building, reimbursements for purchases of property and equipment, reimbursements for other services provided, and monthly payments for reserve purposes.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

7. Investment in Local Government Center Trust, continued

Investment in the Local Government Center Trust, at cost, consists of the following:

	2021	2020
Cash and cash equivalents	\$ 99,122	\$ 68,511
Accounts receivable	7,693	7,777
Land and improvements	274,365	270,534
Building and improvements	2,028,977	2,026,352
Furniture and equipment	60,197	60,196
Accumulated depreciation	(1,165,559)	(1,097,135)
Accounts payable	(2,271)	(6,078)
 Total investment in Local Government Center Trust	 \$ 1,302,524	 \$ 1,330,157

Separate financial statements for the Local Government Center Trust for the years ended June 30, 2021 and 2020, are available from OSBA.

8. Related Party Transactions

The following transactions occurred during the period beginning July 1, 2020 and ending June 30, 2021, between the Association and other organizations which were related through common ownership, boards, and management:

Company Name	Type of Revenue or Payable / Receivable Balance	Amount
Local Government Center Trust	Accounts receivable	\$ 8,815
Local Government Center Trust	Property and equipment	6,457
Local Government Center Trust	Operating expenses	121,711
OSBA Property and Casualty Coverage for Education	Accounts receivable	400,000
OSBA Property and Casualty Coverage for Education	Sponsorship	50,000
OSBA Property and Casualty Coverage for Education	Administration charges	690,822
OSBA Property and Casualty Coverage for Education	Legal services	1,258,679
OSBA Property and Casualty Coverage for Education	Expenses	3,375

The following transactions occurred during the period beginning July 1, 2019 and ending June 30, 2020, between the Association and other organizations which were related through common ownership, boards, and management:

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

8. Related Party Transactions, continued

Company Name	Type of Revenue or Payable / Receivable Balance	Amount
Local Government Center Trust	Accounts receivable	\$ 8,815
Local Government Center Trust	Property and equipment	141,369
Local Government Center Trust	Operating expenses	190,093
OSBA Property and Casualty Coverage for Education	Accounts receivable	463,153
OSBA Property and Casualty Coverage for Education	Sponsorship	50,000
OSBA Property and Casualty Coverage for Education	Administration charges	633,018
OSBA Property and Casualty Coverage for Education	Legal services	1,205,669
OSBA Property and Casualty Coverage for Education	Expenses	1,675
Special Districts Association of Oregon	Salaries and benefits	68,512

Revenue from OSBA Property and Casualty Coverage for Education (PACE) accounted for 14 percent and 38 percent of total revenues and support for the years ended June 30, 2021 and 2020, respectively. Accounts receivable from PACE accounted for 75 percent and 85 percent of receivables as of June 30, 2021 and 2020, respectively.

9. Lease Revenue

OSBA entered into an agreement with a third party to lease real property, effective June 22, 2020. Base rent under the lease was \$5,000, plus a portion of annual property taxes. This lease was amended effective April 1, 2021 to reduce base rent to \$3,500 and extend the term until December 31, 2022. Total rent expense recognized under this lease agreement during the years ended June 30, 2021 and 2020 was \$60,950 and \$-0-, respectively. Rent due to OSBA under the terms of this lease for the years ended June 31, 2022 and 2023 is \$42,000 and \$21,000, respectively.

OSBA entered into an agreement with a third party to lease office space, effective April 1, 2021, for a term of one year, with the option to renew. Base rent under the lease is \$2,200. Total rent expense recognized under this lease agreement during the years ended June 30, 2021 and 2020 was \$6,600 and \$-0-, respectively. Rent due to OSBA under the terms of this lease for the year ended June 31, 2022 is \$19,800.

In addition to the agreements described above, OSBA leases parking spaces on a month to month basis.

10. Funding Agreement

During the year ended June 30, 2019, the Association entered into an agreement with the Oregon Association of School Business Officials (OASBO), to assist in providing funds to OASBO for the purpose of acquiring data analytic products for school districts throughout the state of Oregon. As part of this agreement, the Association will pay a total sum of \$1,500,000 over the course of 3 years so that OASBO can make requisite purchases under the agreement. The installments are due in July of each year. \$500,000 was paid during the years ended June 30, 2021 and 2020.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

11. Uncertainties

The COVID-19 virus outbreak in the United States has resulted in significant economic uncertainties. As of the date of the independent auditor's report, the Association has not yet experienced significant disruption in its operation as a result of this health crisis. However, a prolonged crisis could change those circumstances and might result in a negative impact to the Association. The likelihood and extent of any such financial impact cannot be reasonably estimated at this time.

12. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

Subsequent to year end, the OSBA entered into an assignment agreement with Association of Oregon Counties (AOC) to purchase AOC's interest as detailed in the agreement for \$2,210,654, the appraised fair market value of the interest. As a result of this transaction, OSBA owns approximately two-thirds of the underlying assets of the Local Government Center Trust and League of Oregon Cities owns the remaining portion.

SUPPLEMENTARY INFORMATION

OREGON SCHOOL BOARDS ASSOCIATION
SCHEDULE OF AMOUNTS DUE TO OTHERS
For the Year Ended June 30, 2021

Oregon Council of School Attorneys

Revenues:	
Dues	\$ 10,680
Expenses:	
Dues	<u>10,125</u>
Expenses in excess of revenues	555
Balance - July 1, 2020	<u>33,431</u>
Balance - June 30, 2021	<u>33,986</u>
Total amounts due to others	<u><u>\$ 33,986</u></u>

OREGON SCHOOL BOARDS ASSOCIATION
 SCHEDULE OF AMOUNTS DUE TO OTHERS
 For the Year Ended June 30, 2020

Property and Casualty Coverage for Education (PACE)

Revenues:		
PACE day		\$ 225
Expenses:		
Other		<u>3,375</u>
Expenses in excess of revenues		(3,150)
Balance - July 1, 2019		<u>3,150</u>
Balance - June 30, 2020		<u>-</u>

Oregon Council of School Attorneys

Revenues:		
Dues		8,120
Expenses:		
Dues		<u>12,720</u>
Expenses in excess of revenues		(4,600)
Balance - July 1, 2019		<u>38,031</u>
Balance - June 30, 2020		<u>33,431</u>
Total amounts due to others		<u><u>\$ 33,431</u></u>