



SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA

**Financial Statements
and
Independent Auditors' Report**

For the Year Ended June 30, 2020

SM&Co

School Employers Association of California

Table of Contents
For the Year Ended June 30, 2020

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	6
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Notes to Financial Statements	8
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	14
Notes to Required Supplementary Information	15



Smith Marion & Co. • Certified Public Accountants
Redlands Office • 1940 Orange Tree Lane, Suite 100 • Redlands, CA 92374 • (909) 307-2323

Board of Directors
School Employers Association of California
Irvine, CA

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the School Employers Association of California as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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, generally accepted government auditing standards when applicable. 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 statement. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School Employers Association of California, as of June 30, 2020, and the respective change in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule and Notes to Required Supplementary Information on pages 14-15, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on the information.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in blue ink that reads 'Smith Marion & Co.' in a cursive script.

April 6, 2021
Redlands, CA

School Employers Association of California

Statement of Net Position

June 30, 2020

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 49,385
Accounts receivable (net)	14,091
Prepaid items	2,535
Total current assets	<u>66,011</u>
Noncurrent assets:	
Capital assets (net)	<u>-</u>
TOTAL ASSETS	<u>66,011</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>
LIABILITIES	
Current liabilities	
Accounts payable	121,756
Salaries and benefits payable	14,080
Unearned revenue	-
Total current liabilities	<u>135,836</u>
TOTAL LIABILITIES	<u>135,836</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Unrestricted	<u>(69,825)</u>
TOTAL NET POSITION	<u><u>\$ (69,825)</u></u>

School Employers Association of California

Statement of Activities

For the Year Ended June 30, 2020

	Governmental Activities
PROGRAM SERVICES	
PROGRAM EXPENSES	
Membership	\$ 233,561
Conferences and workshops	41,952
Consulting	157,541
Governmental relations	27,500
TOTAL PROGRAM EXPENSES	460,554
PROGRAM REVENUES	
Charges for services	
Membership	265,901
Conferences and workshops	91,950
Consulting	194,877
Government grants	39,810
Other revenue	5,143
TOTAL PROGRAM REVENUES	597,681
Net program revenue/(expenses)	137,127
SUPPORTING SERVICES	
SUPPORTING SERVICES EXPENSES	
General administration	226,351
Facility rents and leases	33,177
Total Governmental Activities	259,528
Change in net position	(122,401)
Net Position - Beginning	52,576
Net Position - Ending	\$ (69,825)

School Employers Association of California

Balance Sheet - Governmental Funds

June 30, 2020

	General Fund	Total Governmental Funds
ASSETS		
Current assets		
Cash and cash equivalents	\$ 49,385	\$ 49,385
Accounts receivable, net	14,091	14,091
Prepaid items	2,535	2,535
Total current assets	66,011	66,011
TOTAL ASSETS	66,011	66,011
DEFERRED OUTFLOW OF RESOURCES	-	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 66,011	\$ 66,011
LIABILITIES		
Current liabilities		
Accounts payable	\$ 121,756	\$ 121,756
Salaries and benefits payable	14,080	14,080
Unearned income	-	-
TOTAL LIABILITIES	135,836	135,836
DEFERRED INFLOW OF RESOURCES	-	-
FUND BALANCE		
Restricted	2,535	2,535
Committed	-	-
Unassigned	(72,360)	(72,360)
TOTAL FUND BALANCE	(69,825)	(69,825)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 66,011	\$ 66,011

School Employers Association of California
 Statements of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2020

	General	Total Governmental Funds
REVENUES		
Membership	\$ 265,901	\$ 265,901
Conferences and workshops	91,950	91,950
Consulting	194,877	194,877
Governmental grants	39,810	39,810
Other revenue	5,143	5,143
TOTAL REVENUES	597,681	597,681
EXPENDITURES		
Membership	233,561	233,561
Conferences and workshops	41,952	41,952
Consulting	157,541	157,541
Governmental relations	27,500	27,500
Supporting services:		
General administration	226,351	226,351
Facility rents and leases	33,177	33,177
TOTAL EXPENDITURES	720,082	720,082
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(122,401)	(122,401)
OTHER FINANCING SOURCES AND (USES)		
Transfers in from other funds	-	-
Transfers out to other funds	-	-
Net Other Financing Sources and (Uses)	-	-
Net Change in Fund Balances	(122,401)	(122,401)
FUND BALANCE - BEGINNING OF YEAR	52,576	52,576
FUND BALANCE - END OF YEAR	\$ (69,825)	\$ (69,825)

School Employers Association of California

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Governmental Funds

For the Year Ended June 30, 2020

Fund balance of governmental funds	\$	(69,825)
No reconciling items		-
Net assets of governmental activities	\$	<u>(69,825)</u>

1. Nature of Organization

On July 1, 2002 Joint Powers Agreement (JPA) was signed by participating K-12 public school, community college district, and county offices of education to create School Employers Association of California (SEAC). The purpose of this JPA is to provide collective bargaining, personnel, and human resource services to member agencies. Generating membership fees based on each member agency's size, the JPA conducts research, training, and provided advocacy services. Memberships also includes publications such as the SEAC Reporter.

2. Summary of Significant Accounting Policies

Accounting Policies

The accounting policies of SEAC conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Fund Accounting, Basis of Accounting

The account of School Employers Association of California are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures: SEAC resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled, The JPA accounts are organized into one fund.

Governmental Fund

The General Fund is the general operating fund of SEAC. It is used to account for all financial resources except those required to be accounted for in another fund.

Government-Wide Financial Statements

SEAC's government wide financial statements include statements of net position and a statement of activities. These statements present summaries of governmental activities for SEAC.

The reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the financial statements. The governmental funds is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred.

Capital asset acquisitions are reported as expenditures in the governmental fund.

Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Employee Compensated Absences

As of August 2010, the employees of the JPA no longer receive paid vacation therefore, compensated absences were not accrued.

Accounts Receivable

Accounts receivable represent consideration from JPA agreements , of which SEAC has an unconditional right to receive. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. 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. Changes in the valuation allowance have not been material to the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

SEAC has formally adopted a capitalization policy of \$500 for furniture and equipment, lesser amounts are expensed. Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets to a specific purpose. Furniture and equipment are depreciated using the straight line method over 3 – 5 years.

Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contribution of capital. Net position is classified in the following three components:

- Investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations, of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of the net position of SEAC that is not restricted for any project or other purpose and not invested in capital assets.

Fund Balance

SEAC has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned, or unassigned. These components of fund balance are reported primarily to indicate the extent to which SEAC is bound to honor constraint on the specific purposes for which amounts in the fund can be spent.

- 1) Non-spendable Fund Balance: Amounts cannot be spent because they are: (a) not in spendable form or (b) legally or contractually required to be maintained intact Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form.
- 2) Restricted Fund Balance: Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation.

School Employers Association of California

Notes to Financial Statements
For the Year Ended June 30, 2020

- 3) **Committed Fund Balance:** Amounts can only be used for a specific purpose pursuant to constraints imposed by formal action (resolution) of the government's highest level of decision making. The formal action must occur prior to the end of the reporting period; however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same level of action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.
- 4) **Assigned Fund Balance:** Amounts are constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. This intent must be expressed by the Board of Directors.
- 5) **Unassigned Fund Balance:** The General Fund, as the principal operating fund, often has net resources in excess of what can properly be classified in one of the four categories already described. Therefore, in order to calculate unassigned fund balance, total fund balance less non-spendable, restricted, committed, or assigned equals unassigned fund balance.

3. Cash and Investments

As of June 30, 2020, Cash and Investments are reported in SEAC's financial statement as cash and cash equivalents in the amount of \$49,385.

Cash Balances held in banks are insured up to \$250,000 or unlimited for non-interest bearing transaction accounts by the Federal Depository Insurance Corporation. All Cash held by the financial institution are fully insured.

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the **investment types** that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address **interest rate risk, credit risk, and concentration credit risk**. This table does not address investment of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or SEAC's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of * Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

*Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of SEAC contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 5% or more of total SEAC investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and SEAC's investment policy do not contain legal or policy requirement that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure SEAC deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposit.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the SEAC's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of a mutual fund or government investment pool.

4. Composition of Accounts Receivable

The balance shown as accounts receivable consists of the following items:

Member dues	\$ 245,610
Allowance for bad debt	<u>(231,519)</u>
Net accounts receivable	<u><u>\$ 14,091</u></u>

School Employers Association of California

Notes to Financial Statements
For the Year Ended June 30, 2020

5. Capital Assets and Depreciation

Capital Assets balances for the fiscal year ended June 30, 2020 are shown below:

	<u>Furniture and Equipment</u>	<u>Accumulated Depreciation</u>	<u>Capital Assets Net</u>
June 30, 2020	\$ 19,688	\$ (19,688)	\$ -

There was no capital assets activity (additions or deletions) for the fiscal year ending June 30, 2020.

6. Leases

On August 1, 2017 SEAC entered into a lease agreement with Redhill Corporate Plaza to occupy the office located at 18022 Cowan, Suite 250, Irvine, California 92614 for 37 months. Monthly payments of \$2,535, total payments during the year totaled \$30,568.

Future maturities on leases is as follows:

2021	\$ 7,605
Total	\$ 7,605

7. Contingencies

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the orders. SEAC has adapted its methods for providing services in order to continue operations and serve its constituents. Management is carefully monitoring the situation and evaluating its options during this time. It is possible that this matter may negatively impact SEAC, however, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

8. Other Required Individual Fund Disclosures

Total expenditures exceeded total appropriations in the following funds:

At June 30, 2020, the General Fund had a deficit fund balance of \$(72,360). This deficit is expected to be eliminated by future revenues.

9. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes.

In October 2020 subsequent to year end SEAC renewed the lease of office space for an additional 37 months for \$2,610 per month.

Management evaluated the activity of the JPA through April 6, 2021 (the date the financial statements were available to be issued) and concluded that there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein except the ones mentioned above.

School Employers Association of California

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Pos (Neg)</u>
REVENUES				
Membership	\$ 216,000	\$ 216,000	\$ 265,901	\$ (49,901)
Conferences and workshops	60,000	60,000	91,950	(31,950)
Consulting	200,000	200,000	194,877	5,123
Government grants	-	-	39,810	(39,810)
Other revenue	94,000	94,000	5,143	88,857
TOTAL REVENUES	<u>570,000</u>	<u>570,000</u>	<u>597,681</u>	<u>(27,681)</u>
EXPENDITURES				
Banking	100	100	73	27
SEAC workshops	40,000	40,000	41,952	(1,952)
Accounting service	3,600	3,600	3,800	(200)
Audit	5,600	5,600	-	5,600
Governmental relations	27,000	27,000	27,500	(500)
Direct services	160,000	160,000	157,541	2,459
Dues/memberships	1,000	1,000	-	1,000
Insurance	7,500	7,500	3,155	4,345
Copier lease	3,800	3,800	3,397	403
Office lease	30,500	30,500	29,780	720
Maintenance/repairs	2,000	2,000	-	2,000
Marketing/repro	1,000	1,000	19,231	(18,231)
Miscellaneous expense	100	100	-	100
Office supplies	6,000	6,000	6,711	(711)
Postage and delivery	1,000	1,000	328	672
Staff travel expense	25,000	25,000	10,870	14,130
Executive director	90,000	90,000	86,138	3,862
Asst. executive directors	60,000	60,000	37,926	22,074
Executive assistant	45,000	45,000	48,320	(3,320)
Temporary personnel	5,000	5,000	-	5,000
Telecommunications	20,000	20,000	28,578	(8,578)
Payroll taxes	-	-	42,011	(42,011)
Expense reimbursement	-	-	1,923	(1,923)
Other expenses	-	-	8,156	(8,156)
Bad debt expense	-	-	162,692	(162,692)
TOTAL EXPENDITURES	<u>534,200</u>	<u>534,200</u>	<u>720,082</u>	<u>(185,882)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	35,800	35,800	(122,401)	(213,563)
OTHER FINANCING SOURCES AND (USES)				
Transfers in from other funds	-	-	-	-
Transfers out to other funds	-	-	-	-
Net Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	35,800	35,800	(122,401)	(213,563)
FUND BALANCE - BEGINNING OF YEAR	<u>52,576</u>	<u>52,576</u>	<u>52,576</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 88,376</u>	<u>\$ 88,376</u>	<u>\$ (69,825)</u>	<u>\$ (213,563)</u>

1. Purpose of Schedule

Budgetary Comparison Schedules are required by GASB Codification Section 2200.182 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on SEAC's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.