

**ASSOCIATION OF CALIFORNIA
SCHOOL ADMINISTRATORS
AND AFFILIATES**

**CONSOLIDATED FINANCIAL
STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT**

**YEARS ENDED
JUNE 30, 2016 AND 2015**

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Association of California
School Administrators
Sacramento, California**

We have audited the accompanying consolidated financial statements of the Association of California School Administrators and Affiliates (Association), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association of California School Administrators and Affiliates as of June 30, 2016 and 2015, and the changes in their members' equity and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

October 3, 2016

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,265,882	\$ 3,210,649
Restricted cash - PACs	1,164,087	1,089,368
Member receivables	713,506	698,864
Other accounts receivable	657,044	709,993
Prepaid expenses and other current assets	<u>187,579</u>	<u>135,331</u>
Total current assets	5,988,098	5,844,205
 INVESTMENTS	 1,478,763	 1,504,371
 PROPERTY AND EQUIPMENT – Net	 <u>9,728,506</u>	 <u>8,800,790</u>
 TOTAL ASSETS	 <u>\$ 17,195,367</u>	 <u>\$ 16,149,366</u>
 LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,332,669	\$ 851,756
Rebates payable to regions	85,043	115,302
Current portion of long-term obligations	367,595	343,942
Accrued expenses	490,034	517,348
Lease deposits	53,375	41,837
Deferred registration and other fees	873,448	686,692
Deferred membership fees	<u>386,686</u>	<u>289,876</u>
Total current liabilities	3,588,850	2,846,753
 LONG-TERM OBLIGATIONS	 <u>4,463,025</u>	 <u>4,783,427</u>
 TOTAL LIABILITIES	 8,051,875	 7,630,180
 MEMBERS' EQUITY – Unrestricted	 <u>9,143,492</u>	 <u>8,519,186</u>
 TOTAL LIABILITIES AND MEMBERS' EQUITY	 <u>\$ 17,195,367</u>	 <u>\$ 16,149,366</u>

The accompanying notes are an integral part of these consolidated financial statements.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
REVENUES:		
Membership fees	\$ 12,120,498	\$ 11,135,783
Registration fees	5,175,711	4,243,312
Sponsorships	1,164,626	1,144,478
PAC contributions	789,278	737,431
Advertising income	698,869	915,577
Rental income	586,372	577,327
Subscription fees	111,055	105,505
Legal support	83,843	106,380
Publications	9,893	15,728
Interest and investment income (loss)	(23,685)	4,819
Other	<u>75,657</u>	<u>72,659</u>
Total revenues	<u>20,792,117</u>	<u>19,058,999</u>
EXPENSES:		
Program services:		
Professional development	7,634,047	6,739,046
Governmental relations	3,269,307	3,044,402
Communications	2,272,561	2,314,518
Member services	2,186,642	1,829,190
Regions	1,838,110	1,652,279
Professional assistance	1,049,293	1,115,257
Committees	<u>482,941</u>	<u>492,106</u>
Total program services	<u>18,732,901</u>	<u>17,186,798</u>
Supporting services:		
Governance	707,010	688,194
Operating/financial services	508,948	468,832
Executive	<u>218,952</u>	<u>201,695</u>
Total supporting services	<u>1,434,910</u>	<u>1,358,721</u>
Total expenses	<u>20,167,811</u>	<u>18,545,519</u>
INCREASE IN MEMBERS' EQUITY	624,306	513,480
MEMBERS' EQUITY, Beginning of Year	<u>8,519,186</u>	<u>8,005,706</u>
MEMBERS' EQUITY, End of Year	<u>\$ 9,143,492</u>	<u>\$ 8,519,186</u>

The accompanying notes are an integral part of these consolidated financial statements.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2016

	Program Services							Supporting Services			
	Prof. Develop.	Gov't Relations	Communi- cations	Member Services	Regions	Prof. Assistance	Committees	Governance	Operating/ Financial Services	Executive	Total
Personnel	\$2,337,324	\$1,596,158	\$1,223,743	\$1,285,659	\$ 18,018	\$ 611,806	\$ 88,273	\$ 76,964	\$ 224,972	\$ 96,784	\$ 7,559,701
Business meetings and expenses	1,971,279	28,941	15,566	51,538	625	7,798	57,814	155,454	7,798	3,355	2,300,168
Rebates to regions					1,797,348			91,661			1,889,009
Professional and contract services	664,283	323,066	121,662	242,685	5,411	211,815	37,468	36,894	67,557	29,063	1,739,904
Travel	460,823	103,853	30,477	96,154	717	47,825	182,065	260,406	8,956	3,853	1,195,129
Honoraria	763,958			6,133							770,091
Political contributions		689,154									689,154
General and administrative	548,109	25,844	15,517	14,992	696	5,608	5,292	3,250	8,694	3,740	631,742
Depreciation and amortization	146,832	110,765	86,570	71,697	3,885	30,244	18,979	16,593	48,501	20,866	554,932
Printing and photocopying	80,121	6,017	262,452	45,004	162	2,837	8,230	2,275	2,026	872	409,996
Postage and delivery	48,688	12,763	224,250	37,385	177	2,922	2,805	1,991	2,207	949	334,137
Rental equipment and facilities	73,569	74,940	41,553	31,475	1,656	13,285	8,093	7,076	20,682	8,898	281,227
Interest	63,420	47,840	37,390	30,967	1,678	13,063	8,197	7,166	20,948	9,012	239,681
Telecommunications	78,364	42,179	25,540	24,403	1,094	18,452	6,019	7,976	13,659	5,876	223,562
Building maintenance	61,349	43,663	34,126	28,263	1,531	13,107	7,482	6,616	19,119	8,225	223,481
Business and general insurance	51,546	38,884	30,390	25,169	1,364	10,617	6,662	5,825	17,027	7,324	194,808
Office supplies	118,811	16,306	10,938	22,314	489	6,786	3,462	2,340	6,127	2,636	190,209
Office rent	34,127	25,744	20,120	16,664	903	31,747	4,411	3,856	11,273	4,850	153,695
Utilities	39,083	29,482	23,042	19,084	1,034	8,050	5,052	4,416	12,910	5,554	147,707
Dues, subscriptions, and fees	42,727	25,594	24,285	13,885	356	3,231	11,194	6,767	4,440	1,910	134,389
Taxes	30,070	22,570	17,640	15,420	792	6,527	3,942	3,381	9,883	4,252	114,477
Insurance services				94,286							94,286
Other	19,564	5,544	27,300	13,465	174	3,573	17,501	6,103	2,169	933	96,326
Total	<u>\$7,634,047</u>	<u>\$3,269,307</u>	<u>\$2,272,561</u>	<u>\$2,186,642</u>	<u>\$1,838,110</u>	<u>\$1,049,293</u>	<u>\$ 482,941</u>	<u>\$ 707,010</u>	<u>\$ 508,948</u>	<u>\$ 218,952</u>	<u>\$ 20,167,811</u>

The accompanying notes are an integral part of these consolidated financial statements.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2015

	Program Services						Supporting Services				
	Prof. Develop.	Gov't Relations	Communi- cations	Member Services	Regions	Prof. Assistance	Committees	Governance	Operating/ Financial Services	Executive	Total
Personnel	\$2,093,679	\$1,673,868	\$1,328,627	\$1,122,881	\$ 17,431	\$ 602,127	\$ 85,163	\$ 74,873	\$ 217,640	\$ 93,630	\$ 7,309,919
Business meetings and expenses	1,762,941	26,062	10,713	35,517	395	5,817	85,307	146,281	4,937	2,124	2,080,094
Rebates to regions					1,614,729			80,802			1,695,531
Professional and contract services	672,658	326,821	98,736	106,500	4,211	277,105	38,924	22,987	52,577	22,619	1,623,138
Travel	540,252	106,514	30,106	69,998	773	45,678	180,746	286,030	9,656	4,154	1,273,907
Honoraria	506,963	1,003	5,319	15,174	8	2,226	13,295	4,415	106	45	548,554
Political contributions	765	418,880	156	129	7	55	34	30	87	38	420,181
General and administrative	311,547	24,471	15,142	13,733	675	6,319	4,462	3,192	8,422	3,623	391,586
Depreciation and amortization	133,232	100,502	78,549	65,054	3,525	27,442	17,220	15,055	44,007	18,932	503,518
Printing and photocopying	101,567	7,885	274,538	57,339	226	3,911	8,806	1,857	2,816	1,212	460,157
Postage and delivery	53,344	8,575	204,757	37,211	184	2,839	3,690	1,518	2,301	990	315,409
Rental equipment and facilities	61,755	68,078	28,780	25,218	1,291	10,498	6,773	3,960	16,113	6,932	229,398
Interest	70,900	53,484	41,801	34,620	1,876	14,604	9,164	8,012	23,419	10,075	267,955
Telecommunications	72,983	38,747	19,438	20,471	819	15,928	5,519	5,461	10,224	4,398	193,988
Building maintenance	52,047	37,958	29,667	24,570	1,331	11,006	6,504	5,686	16,621	7,150	192,540
Business and general insurance	50,658	38,213	29,866	24,735	1,340	10,434	6,548	5,724	16,733	7,199	191,450
Office supplies	85,627	16,645	16,957	26,850	521	10,742	4,267	2,627	6,503	2,797	173,536
Office rent	29,845	22,513	17,596	14,573	790	50,971	3,857	3,372	9,858	4,241	157,616
Utilities	41,784	31,519	24,634	20,402	1,105	8,606	5,401	4,722	13,802	5,938	157,913
Dues, subscriptions, and fees	53,653	16,816	18,010	6,484	179	1,470	2,207	7,121	2,229	959	109,128
Taxes	31,359	23,498	18,365	16,020	824	7,063	4,026	3,520	10,289	4,427	119,391
Insurance services				87,317							87,317
Other	11,487	2,350	22,761	4,394	39	416	193	949	492	212	43,293
Total	<u>\$6,739,046</u>	<u>\$3,044,402</u>	<u>\$2,314,518</u>	<u>\$1,829,190</u>	<u>\$1,652,279</u>	<u>\$1,115,257</u>	<u>\$ 492,106</u>	<u>\$ 688,194</u>	<u>\$ 468,832</u>	<u>\$ 201,695</u>	<u>\$ 18,545,519</u>

The accompanying notes are an integral part of these consolidated financial statements.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in members' equity	\$ 624,306	\$ 513,480
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	554,932	503,518
Receipt of equipment under <i>Partners for Purpose</i> program	(629,316)	
Net loss on investments	57,870	24,087
Amortization of debt issuance costs	4,369	5,874
Non-cash change in postretirement health benefits	24,281	28,438
Changes in:		
Restricted cash - PACs	(74,719)	(300,511)
Receivables	38,307	(299,943)
Prepaid expenses and other current assets	(52,248)	29,009
Accounts payable	480,913	295,953
Rebates payable to regions	(30,259)	54,132
Accrued expenses	(27,314)	63,845
Lease deposits	11,538	
Deferred revenues	<u>283,566</u>	<u>(205,575)</u>
Net cash provided by operating activities	<u>1,266,226</u>	<u>712,307</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(853,332)	(282,182)
Purchase of investments	(82,562)	(117,132)
Proceeds from sale of investments	<u>50,300</u>	<u>89,468</u>
Net cash used by investing activities	<u>(885,594)</u>	<u>(309,846)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments of long-term obligations	(325,399)	(287,307)
Proceeds from issuance of long-term obligations	<u>56,531</u>	<u>56,531</u>
Net cash used by financing activities	<u>(325,399)</u>	<u>(230,776)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	55,233	171,685
CASH AND CASH EQUIVALENTS, Beginning of year	<u>3,210,649</u>	<u>3,038,964</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 3,265,882</u>	<u>\$ 3,210,649</u>
OTHER CASH FLOW INFORMATION:		
Interest paid	<u>\$ 239,681</u>	<u>\$ 267,957</u>

The accompanying notes are an integral part of these consolidated financial statements.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

1. ORGANIZATION

Association of California School Administrators (ACSA) is a California nonprofit mutual benefit corporation. The mission of ACSA is to promote the advancement of education by helping members become more effective school administrators. Members consist primarily of management employees or administrators in California school districts. Members also include professors of education and employees of the California Department of Education or the Commission on Teacher Credentialing.

ACSA has several affiliated organizations that provide services on behalf of ACSA and its members. The affiliated organizations are described below:

Foundation for Educational Administration (FEA) is a California nonprofit public benefit corporation. FEA's purpose is to develop and improve educational administration, to engage in research in the field of educational administration, to assist qualified individuals in the study of educational administration, and to assist federal, state, and local agencies in training and research programs.

School Administrators Special Services (SASS) is a California nonprofit mutual benefit corporation which assists ACSA members in obtaining group insurance policies and special group services. SASS administers these programs and receives financial support from member service fees and administrative fees. Members of ACSA are also members of SASS, but SASS also has members from an unrelated entity.

SASS Benefit Services Corporation (SASS BSC) is a wholly-owned, for-profit subsidiary of ACSA established to manage benefit services. SASS BSC is largely inactive.

The Issues Political Action Committee (Issues PAC), which is maintained by ACSA, supports issues that improve student learning and that support school administration as a profession.

The Candidates Political Action Committee (Candidate PAC) is a voluntary, nonprofit, unincorporated committee that supports candidates consistent with the purpose of the Association.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation – ACSA and its affiliates listed above (collectively, the Association) have the same governing Boards of Directors and share common facilities and management. Accordingly, the accompanying financial statements are presented on a consolidated basis. Material transactions between entities have been eliminated in consolidation.

Basis of accounting and financial statement presentation – The consolidated financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Revenue recognition – Membership fees are recognized as revenues in the membership period. Dues collected in advance of the membership period are recorded as deferred revenues until earned. Membership fees are recorded net of amounts collected and remitted to a national association with similar goals.

Revenues from educational activities, conferences, and other events are recognized when the events occur. Sponsorship revenues are recognized when the corresponding event occurs or service is provided. Advertising revenue is recognized during the period of publication. Subscription fees are recognized as revenues when the subscriptions are delivered. Fees collected in advance are recorded as deferred revenues until earned.

PAC contributions are recognized in the period received.

Partners for Purpose program – ACSA conducts a program entitled *Partners for Purpose* to provide its corporate vendors with opportunities to promote their services to members in exchange for cash, products or services, depending on the agreement. ACSA records these items based on the estimated fair value of services or products received. Products with a useful life greater than one year are depreciated over the lesser of their estimated useful lives, or at the scheduled termination of the agreement if further use of the assets is contractually limited. Corresponding revenues associated with the program are recognized over the life of the agreement. For instances in which ACSA's obligations under an agreement spans multiple years, revenues are deferred until such obligations have been met.

Cash and cash equivalents – For financial statement purposes, the Association considers all investments with maturity at purchase of three months or less to be cash equivalents, unless held for long-term purposes.

Investments are stated at fair value.

Property and equipment are recorded at cost, or at fair value if donated, and are depreciated using the straight-line method over estimated useful lives of 45 years for buildings and 2 to 35 years for building improvements, office furniture, and equipment. The Association's policy is to capitalize such items with a cost of \$500 or more.

Functional expenses – Direct expenses are charged to related program and support service categories. Certain costs have been allocated among the programs and supporting services benefited.

Income taxes – ACSA, FEA, SASS, Issues PAC, and Candidate-PAC are exempt from income taxes under Internal Revenue Code Sections 501(c)(6), 501(c)(3), 501(c)(9), 501(c)(6), and 527, respectively. They are, however, subject to income taxes from activities unrelated to their tax-exempt purpose.

The Association has applied the amended accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the consolidated financial statements. With some exceptions, the Association is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2012.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Use of 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 certain reported amounts and disclosures. Significant estimates included in these consolidated financial statements are management’s estimate of the collectability of other accounts receivable, the fair value of services or products received under the *Partners for Purpose* program, the selection of useful lives of property and equipment and the functional allocation of expenses. Accordingly, actual results could differ from those estimates.

Members’ equity represents the net assets of the Association. Since the Association consists of nonprofit organizations and a wholly-owned, for-profit subsidiary, its net assets are not privately owned.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

- | | |
|----------------|---|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly. |
| Level 3 Inputs | Unobservable inputs for the asset or liability. |

Subsequent events have been reviewed through October 3, 2016, the date the consolidated financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2016 that require recognition or disclosure in such consolidated financial statements.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

3. INVESTMENTS

Investments are classified within Level 1 of the fair value hierarchy because they are measured by pricing on publicly traded markets with reasonable levels of price transparency. Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 87,554	\$ 80,702
Exchange traded funds - equity		
Large blend	248,060	245,394
Mid-cap blend	129,222	129,733
Foreign large blend	73,531	77,195
Small blend	58,881	60,371
Small value	30,376	30,382
Multi-alternative		29,136
Foreign large value	19,339	17,676
Exchange traded funds – fixed income		
Intermediate-term bonds	92,826	85,547
Short Term Bond	59,579	57,496
Mutual funds - equity		
Large blend	137,102	149,891
Foreign large blend	128,240	144,925
Foreign large growth		39,090
Mid-cap blend	28,105	28,315
Small blend	41,183	
Mutual funds – fixed income		
Intermediate-term bond	274,512	258,007
High-yield bond	<u>70,253</u>	<u>70,511</u>
Total	<u>\$ 1,478,763</u>	<u>\$ 1,504,371</u>

Interest and investment income (loss) consist of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 34,185	\$ 28,906
Net loss on investments	<u>(57,870)</u>	<u>(24,087)</u>
Total interest and investment income (loss)	<u>\$ (23,685)</u>	<u>\$ 4,819</u>

Interest and investment income (loss) is shown net of investment fees of \$15,577 and \$15,974 in 2016 and 2015, respectively.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 10,991,525	\$ 10,607,382
Land	1,472,692	1,472,692
Office furniture and equipment	4,579,061	3,645,331
Website	398,629	398,629
Work in progress (AMS Project)	<u>273,798</u>	<u>127,000</u>
Total	17,715,705	16,251,034
Less accumulated depreciation and amortization	<u>(8,005,176)</u>	<u>(7,450,244)</u>
Property and equipment – net	<u>\$ 9,728,506</u>	<u>\$ 8,800,790</u>

5. PROPERTY LEASED TO TENANTS

The Association leases office space to various tenants under multiple-year lease agreements. Some of the lease agreements call for periodic rent adjustments. Minimum future rental payments to be received under the non-cancelable leases are as follows:

Fiscal year ending June 30,

2017	\$ 570,117
2018	324,382
2019	193,397
2020	183,895
2021	159,555
Thereafter	<u>90,754</u>
Total	<u>\$ 1,522,100</u>

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

6. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following:

	<u>2016</u>	<u>2015</u>
Mortgage note payable, secured by commercial property, payable in monthly installments of \$39,887, including fixed interest at 4.75%, maturing July 2029	\$ 4,636,444	\$ 4,884,552
Term loan, secured by equipment and accounts receivable, payable in monthly installments including interest at 5.0%, maturing July 2018	173,850	251,141
Postretirement health benefit obligations	<u>103,195</u>	<u>78,914</u>
Subtotal	4,913,489	5,214,607
Less unamortized debt issuance costs on mortgage note payable	<u>(82,869)</u>	<u>(87,238)</u>
Total	4,830,620	5,127,369
Less current portion	<u>(367,595)</u>	<u>(343,942)</u>
Long-term obligations	<u>\$ 4,463,025</u>	<u>\$ 4,783,427</u>

Scheduled annual maturities of these obligations are as follows:

Fiscal year ending June 30,

2017	\$ 367,595
2018	384,493
2019	320,652
2020	328,668
2021	316,248
Thereafter	<u>3,195,833</u>
Total	<u>\$ 4,913,489</u>

The Association provides medical insurance benefits to qualifying retired employees. To qualify, employees must be age 55 or older and retire as an employee of the Association with ten years of continuous credited service.

Medical benefits cover the period from retirement until qualified retirees reach age 65, the age of eligibility for Medicare, or acquire health care coverage with another employer.

The liability recognized for such benefits is based on future estimated health insurance premiums, discounted to the present value, and accrued as employees accumulate the ten years of service leading up to age 55 for current employees and similarly for employees taking the early retirement option up to age 65. Medical insurance benefits are funded as benefits are paid.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

7. OPERATING LEASE COMMITMENTS

The Association leases automobiles, computer equipment, and other equipment under non-cancelable operating leases. Total future minimum lease payments under these operating leases are as follows:

Fiscal year ending June 30:

2017	\$ 59,959
2018	<u>7,203</u>
Total	<u>\$ 67,162</u>

8. LINE OF CREDIT

The Association has a \$750,000 revolving line of credit with Bank of America expiring December 31, 2016, with an interest rate equal to the BBA LIBOR Daily Floating Rate plus 4.25%. There was no outstanding balance as of June 30, 2016 and 2015.

9. RETIREMENT PLAN

The Association has a defined contribution 401(k) plan covering substantially all employees. Total contributions by the Association for 2016 and 2015 were \$867,729 and \$813,992, respectively. Employer contributions vest after three years.

10. DESIGNATED CASH

The Association's Board of Directors has designated a portion of cash to support the following activities:

	<u>2016</u>	<u>2015</u>
AMS and website projects	\$ 532,451	\$ 678,980
Legal defense	<u>256,476</u>	<u>408,256</u>
Total	<u>\$ 788,927</u>	<u>\$ 1,087,236</u>

11. CONCENTRATIONS OF CREDIT RISK

The Association maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. Management believes the Association is not exposed to any significant credit risk related to cash.

Investments are purchased through an investment advisor and are diversified to limit the concentration of credit risk. Investments are unsecured.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

12. RELATED PARTY TRANSACTION

The Association entered into a new principal residence relocation loan agreement with its Executive Director (Director) in August 2014. The Association agreed to loan the Director \$124,771 to assist him in the relocation of his new principal residence to the greater Sacramento area. Simple interest accrues at a variable per annum rate tied to the interest rate earned by the Association from the Association's main checking account and starting at one-half percent (0.5%). This loan is secured by the deed of trust to the property. The term of the loan is indefinite; however it becomes due in full if the Director sells the property or within 12 months after the Director's cessation of employment with the Association. As of June 30, 2016 and June 30, 2015, the unpaid balance of this loan totaled \$124,921 and \$124,297, respectively, and is included in accounts receivable on the consolidated statements of financial position.

13. ADDITIONAL AFFILIATED ENTITY

National Association of School Superintendents (NASS) is a separate organization focused on serving the professional networking and skill development needed for Superintendents across the nation to become more effective leaders. NASS utilizes a number of ACSA resources as they build to a point of greater independence. For the year ending June 30, 2016, NASS's expenses totaled \$27,601 and were presented within the expenses for ACSA.

SUPPLEMENTAL SCHEDULES

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016

ASSETS	<u>ACSA</u>	<u>FEA</u>	<u>SASS</u>	<u>BSC</u>	<u>PACs</u>	<u>Consolidated</u>
CURRENT ASSETS:						
Cash and cash equivalents	\$ 1,923,654	\$ 1,339,370	\$ 2,858			\$ 3,265,882
Restricted cash - PACs					\$ 1,164,087	1,164,087
Member receivables	713,506					713,506
Other accounts receivable	329,998	327,046				657,044
Prepaid expenses and other current assets	<u>114,682</u>	<u>72,897</u>				<u>187,579</u>
Total current assets	3,081,840	1,739,313	2,858		1,164,087	5,988,098
INVESTMENTS			1,478,763			1,478,763
PROPERTY AND EQUIPMENT – Net	<u>9,728,506</u>					<u>9,728,506</u>
TOTAL ASSETS	<u>\$ 12,810,346</u>	<u>\$ 1,739,313</u>	<u>\$ 1,481,621</u>	<u>\$</u>	<u>\$ 1,164,087</u>	<u>\$ 17,195,367</u>
LIABILITIES AND MEMBERS' EQUITY						
CURRENT LIABILITIES:						
Accounts payable	\$ 660,350	\$ 669,273	\$ 3,046			\$ 1,332,669
Rebates payable to regions	85,043					85,043
Current portion of long-term obligations	367,595					367,595
Accrued expenses	490,034					490,034
Lease deposits	53,375					53,375
Deferred registration and other fees	464,649	408,799				873,448
Deferred membership fees	<u>386,686</u>					<u>386,686</u>
Total current liabilities	2,507,732	1,078,072	3,046			3,588,850
LONG-TERM OBLIGATIONS	<u>4,463,025</u>					<u>4,463,025</u>
TOTAL LIABILITIES	6,970,757	1,078,072	3,046			8,051,875
DUE TO (FROM) AFFILIATES	(10,366,029)	10,188,087	819,464	\$ 21,017	\$ (662,539)	
MEMBERS' EQUITY – Unrestricted	<u>16,205,618</u>	<u>(9,526,846)</u>	<u>659,111</u>	<u>(21,017)</u>	<u>1,826,626</u>	<u>9,143,492</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 12,810,346</u>	<u>\$ 1,739,313</u>	<u>\$ 1,481,621</u>	<u>\$</u>	<u>\$ 1,164,087</u>	<u>\$ 17,195,367</u>

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION JUNE 30, 2015

ASSETS	<u>ACSA</u>	<u>FEA</u>	<u>SASS</u>	<u>BSC</u>	<u>PACs</u>	<u>Consolidated</u>
CURRENT ASSETS:						
Cash and cash equivalents	\$ 1,954,827	\$ 1,252,891	\$ 2,931			\$ 3,210,649
Restricted cash - PACs					\$ 1,089,368	1,089,368
Member receivables	698,864					698,864
Other accounts receivable	388,938	321,055				709,993
Prepaid expenses and other current assets	<u>60,859</u>	<u>74,472</u>				<u>135,331</u>
Total current assets	3,103,488	1,648,418	2,931		1,089,368	5,844,205
INVESTMENTS			1,504,371			1,504,371
PROPERTY AND EQUIPMENT – Net	<u>8,800,790</u>					<u>8,800,790</u>
TOTAL ASSETS	<u>\$ 11,904,278</u>	<u>\$ 1,648,418</u>	<u>\$ 1,507,302</u>	<u>\$</u>	<u>\$ 1,089,368</u>	<u>\$ 16,149,366</u>
LIABILITIES AND MEMBERS' EQUITY						
CURRENT LIABILITIES:						
Accounts payable	\$ 324,031	\$ 524,839	\$ 2,886			\$ 851,756
Rebates payable to regions	115,302					115,302
Current portion of long-term obligations	343,942					343,942
Accrued expenses	517,348					517,348
Lease deposits	41,837					41,837
Deferred registration and other fees	116,533	570,159				686,692
Deferred membership fees	<u>289,876</u>					<u>289,876</u>
Total current liabilities	1,748,869	1,094,998	2,886			2,846,753
LONG-TERM OBLIGATIONS	<u>4,783,427</u>					<u>4,783,427</u>
TOTAL LIABILITIES	6,532,296	1,094,998	2,886			7,630,180
DUE TO (FROM) AFFILIATES	(10,180,189)	10,087,472	734,594	\$ 20,192	\$ (662,069)	
MEMBERS' EQUITY – Unrestricted	<u>15,552,171</u>	<u>(9,534,052)</u>	<u>769,822</u>	<u>(20,192)</u>	<u>1,751,437</u>	<u>8,519,186</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 11,904,278</u>	<u>\$ 1,648,418</u>	<u>\$ 1,507,302</u>	<u>\$</u>	<u>\$ 1,089,368</u>	<u>\$ 16,149,366</u>

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

	<u>ACSA</u>	<u>FEA</u>	<u>SASS</u>	<u>BSC</u>	<u>PACs</u>	<u>Consolidated</u>
REVENUES:						
Membership fees	\$ 11,999,916	\$ 120,582				\$ 12,120,498
Registration fees	178,715	4,996,996				5,175,711
Sponsorships	295,507	869,119				1,164,626
PAC contributions					\$ 789,278	789,278
Advertising income	698,779	90				698,869
Rental income	586,372					586,372
Subscription fees	6,055	105,000				111,055
Legal support	83,843					83,843
Publications		9,893				9,893
Interest and investment income	1,923		\$ (25,608)			(23,685)
Other	61,391		14,266			75,657
Total revenues	<u>13,912,501</u>	<u>6,101,680</u>	<u>(11,342)</u>		<u>789,278</u>	<u>20,792,117</u>
EXPENSES:						
Program services:						
Professional development	1,541,974	6,092,073				7,634,047
Governmental relations	2,555,218				714,089	3,269,307
Communications	2,270,668	1,893				2,272,561
Member services	2,085,940	508	99,369	\$ 825		2,186,642
Regions	1,838,110					1,838,110
Professional assistance	1,049,293					1,049,293
Committees	482,941					482,941
Total program services	<u>11,824,144</u>	<u>6,094,474</u>	<u>99,369</u>	<u>825</u>	<u>714,089</u>	<u>18,732,901</u>
Supporting services:						
Governance	707,010					707,010
Operating/financial services	508,948					508,948
Executive	218,952					218,952
Total supporting services	<u>1,434,910</u>					<u>1,434,910</u>
Total expenses	<u>13,259,054</u>	<u>6,094,474</u>	<u>99,369</u>	<u>825</u>	<u>714,089</u>	<u>20,167,811</u>
INCREASE (DECREASE) IN MEMBERS' EQUITY	653,447	7,206	(110,711)	(825)	75,189	624,306
MEMBERS' EQUITY, Beginning of Year	<u>15,552,171</u>	<u>(9,534,052)</u>	<u>769,822</u>	<u>(20,192)</u>	<u>1,751,437</u>	<u>8,519,186</u>
MEMBERS' EQUITY, End of Year	<u>\$ 16,205,618</u>	<u>\$ (9,526,846)</u>	<u>\$ 659,111</u>	<u>\$ (21,017)</u>	<u>\$ 1,826,626</u>	<u>\$ 9,143,492</u>

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015

	<u>ACSA</u>	<u>FEA</u>	<u>SASS</u>	<u>BSC</u>	<u>PACs</u>	<u>Consolidated</u>
REVENUES:						
Membership fees	\$ 11,031,086	\$ 104,697				\$ 11,135,783
Registration fees	1,725	4,241,587				4,243,312
Sponsorships	288,678	855,800				1,144,478
PAC contributions					\$ 737,431	737,431
Advertising income	915,577					915,577
Rental income	577,327					577,327
Subscription fees	6,495	99,010				105,505
Legal support	106,380					106,380
Publications		15,728				15,728
Interest and investment income	1,242		\$ 3,577			4,819
Other	53,816	5,312	13,531			72,659
Total revenues	<u>12,982,326</u>	<u>5,322,134</u>	<u>17,108</u>		<u>737,431</u>	<u>19,058,999</u>
EXPENSES:						
Program services:						
Professional development	1,421,594	5,317,452				6,739,046
Governmental relations	2,604,819				439,583	3,044,402
Communications	2,313,178	1,340				2,314,518
Member services	1,731,853	441	96,096	\$ 800		1,829,190
Regions	1,652,279					1,652,279
Professional assistance	1,115,257					1,115,257
Committees	492,106					492,106
Total program services	<u>11,331,086</u>	<u>5,319,233</u>	<u>96,096</u>	<u>800</u>	<u>439,583</u>	<u>17,186,798</u>
Supporting services:						
Governance	688,194					688,194
Operating/financial services	468,832					468,832
Executive	201,695					201,695
Total supporting services	<u>1,358,721</u>					<u>1,358,721</u>
Total expenses	<u>12,689,807</u>	<u>5,319,233</u>	<u>96,096</u>	<u>800</u>	<u>439,583</u>	<u>18,545,519</u>
INCREASE (DECREASE) IN MEMBERS' EQUITY	292,519	2,901	(78,988)	(800)	297,848	513,480
MEMBERS' EQUITY, Beginning of Year	<u>15,259,652</u>	<u>(9,536,953)</u>	<u>848,810</u>	<u>(19,392)</u>	<u>1,453,589</u>	<u>8,005,706</u>
MEMBERS' EQUITY, End of Year	<u>\$ 15,552,171</u>	<u>\$ (9,534,052)</u>	<u>\$ 769,822</u>	<u>\$ (20,192)</u>	<u>\$ 1,751,437</u>	<u>\$ 8,519,186</u>