

**ASSOCIATION OF CALIFORNIA
SCHOOL ADMINISTRATORS
AND AFFILIATES**

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

**YEARS ENDED
JUNE 30, 2014 AND 2013**

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

TABLE OF CONTENTS JUNE 30, 2014 AND 2013

Independent Auditor's Report	1
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplemental Schedules:	
Consolidating Statements of Financial Position	15
Consolidating Statements of Activities	17

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statements of financial position of the Association of California School Administrators and Affiliates (Association), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, 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, 2014 and 2013, 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 6, 2014

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,038,964	\$ 2,033,876
Restricted cash - PACs	788,857	467,407
Member receivables	600,121	628,914
Other accounts receivable	508,793	590,733
Prepaid expenses and other current assets	<u>164,340</u>	<u>349,999</u>
Total current assets	5,101,075	4,070,929
 INVESTMENTS	 1,500,794	 1,323,689
 PROPERTY AND EQUIPMENT – Net	 <u>9,022,126</u>	 <u>9,265,957</u>
 TOTAL ASSETS	 <u><u>\$ 15,623,995</u></u>	 <u><u>\$ 14,660,575</u></u>
 LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 555,803	\$ 516,640
Rebates payable to regions	61,170	51,854
Current portion of long-term obligations	224,392	220,109
Accrued expenses	453,503	467,086
Lease deposits	41,837	41,837
Deferred registration and subscription fees	823,453	655,815
Deferred membership fees	<u>358,690</u>	<u>352,719</u>
Total current liabilities	2,518,848	2,306,060
 LONG-TERM OBLIGATIONS	 <u>5,099,441</u>	 <u>5,288,382</u>
 TOTAL LIABILITIES	 7,618,289	 7,594,442
 MEMBERS' EQUITY – Unrestricted	 <u>8,005,706</u>	 <u>7,066,133</u>
 TOTAL LIABILITIES AND MEMBERS' EQUITY	 <u><u>\$ 15,623,995</u></u>	 <u><u>\$ 14,660,575</u></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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
REVENUES:		
Membership fees	\$ 10,422,605	\$ 9,868,527
Registration fees	3,703,431	3,105,964
Sponsorships	788,166	746,126
Advertising income	779,250	675,642
Rental income	626,182	734,386
PAC contributions	406,263	440,300
Interest and investment income	179,050	142,167
Subscription fees	111,037	110,390
Legal support	110,510	94,028
Publications	30,574	37,435
Government grants		423,611
Other	106,517	80,763
Total revenues	<u>17,263,585</u>	<u>16,459,339</u>
EXPENSES:		
Program services:		
Professional development	5,938,904	5,155,786
Governmental relations	2,416,161	2,400,670
Communications	2,160,885	2,230,335
Member services	1,837,356	1,782,793
Regions	1,180,445	1,114,966
Professional assistance	895,231	845,485
Committees	447,864	644,859
Government grants		438,395
Total program services	<u>14,876,846</u>	<u>14,613,289</u>
Supporting services:		
Governance	820,620	600,551
Operating/financial services	438,080	444,156
Executive	188,466	191,078
Total supporting services	<u>1,447,166</u>	<u>1,235,785</u>
Total expenses	<u>16,324,012</u>	<u>15,849,074</u>
INCREASE IN MEMBERS' EQUITY	939,573	610,265
MEMBERS' EQUITY, Beginning of Year	<u>7,066,133</u>	<u>6,455,868</u>
MEMBERS' EQUITY, End of Year	<u>\$ 8,005,706</u>	<u>\$ 7,066,133</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, 2014

	Program Services							Supporting Services				
	Prof. Develop.	Gov't Relations	Communi- cations	Member Services	Regions	Prof. Assistance	Commit- tees	Gov't Grants	Govern- ance	Operating/ Financial Services	Executive	Total
Personnel	\$ 2,004,780	\$ 1,526,079	\$ 1,288,481	\$ 1,102,169	\$ 16,486	\$ 525,416	\$ 80,822		\$ 70,490	\$ 205,845	\$ 88,556	\$ 6,909,124
Business meetings and expenses	1,512,516	24,601	4,500	38,094	145	1,856	64,536		138,223	1,815	781	1,787,067
Rebates to regions					1,145,361				132,887			1,278,248
Professional and contract services	472,623	163,920	132,738	110,927	3,295	163,950	23,898		122,306	41,139	17,698	1,252,494
Travel	459,962	96,849	15,924	58,692	457	25,085	178,316		256,756	5,709	2,456	1,100,206
Depreciation and amortization	132,345	99,834	78,027	64,622	3,501	27,259	17,106		14,955	43,715	18,806	500,170
Honoraria	448,426											448,426
Postage and delivery	39,104	11,520	224,835	37,436	261	3,343	4,095		3,576	3,262	1,403	328,835
General and administrative	228,717	24,282	14,813	13,226	593	5,072	2,924		3,398	7,403	3,185	303,613
Interest	78,355	59,107	46,196	38,259	2,073	16,139	10,127		8,854	25,881	11,134	296,125
Printing and photocopying	75,420	6,823	124,124	67,195	223	4,171	5,870		1,799	2,785	1,198	289,608
Rental equipment and facilities	65,721	76,758	37,398	33,734	1,373	12,657	6,707		14,410	17,142	7,375	273,275
Office supplies	97,753	17,656	15,044	56,597	565	7,625	4,743		7,142	7,059	3,037	217,221
Building maintenance	56,852	42,094	32,899	27,247	1,476	12,269	7,212		6,306	18,432	7,931	212,718
Telecommunications	61,036	39,745	22,584	24,815	806	19,287	5,830		8,121	10,067	4,331	196,622
Business and general insurance	49,499	37,339	29,183	24,170	1,309	10,195	6,398		5,593	16,350	7,034	187,070
Office rent	27,673	20,875	16,315	13,512	732	45,547	3,577		3,127	9,141	3,932	144,431
Utilities	37,644	28,397	22,194	18,381	996	7,754	4,866		4,254	12,434	5,349	142,269
Political contributions		111,733										111,733
Taxes	26,835	19,953	15,595	13,726	700	5,448	3,419		2,989	8,737	3,759	101,161
Dues, subscriptions, and fees	48,279	6,777	12,936	4,491	78	682	1,786		8,384	972	418	84,803
Insurance services				80,474								80,474
Other	15,364	1,819	27,099	9,589	15	1,476	15,632		7,050	192	83	78,319
Total	\$ 5,938,904	\$ 2,416,161	\$ 2,160,885	\$ 1,837,356	\$ 1,180,445	\$ 895,231	\$ 447,864	\$	\$ 820,620	\$ 438,080	\$ 188,466	\$ 16,324,012

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, 2013

	Program Services					Supporting Services						
	Prof. Develop.	Gov't Relations	Communi- cations	Member Services	Regions	Prof. Assistance	Commit- tees	Gov't Grants	Govern- ance	Operating/ Financial Services	Executive	Total
Personnel	\$ 1,747,969	\$ 1,463,146	\$ 1,395,414	\$ 1,098,356	\$ 22,521	\$ 448,237	\$ 82,128	\$ 214,710	\$ 71,229	\$ 208,208	\$ 89,572	\$ 6,841,490
Business meetings and expenses	1,164,546	18,073	6,666	27,298	253	2,386	86,907	112	135,676	3,163	1,361	1,446,441
Rebates to regions					1,073,549							1,073,549
Professional and contract services	286,217	158,171	64,726	55,739	2,166	167,315	138,926	177,459	29,521	27,041	11,633	1,118,914
Travel	444,562	77,509	10,759	47,074	254	21,384	214,527	38,005	261,638	3,174	1,366	1,120,252
Depreciation and amortization	188,971	140,336	111,412	92,272	4,999	38,923	24,425	2,214	21,354	62,419	26,853	714,178
Honoraria	498,107			600								498,707
Postage and delivery	39,206	10,226	229,110	35,628	187	2,716	3,495	706	3,644	2,341	1,007	328,266
General and administrative	175,848	21,307	13,304	14,407	542	4,524	3,643	240	2,730	6,768	2,912	246,225
Interest	79,782	59,248	47,037	38,956	2,111	16,433	10,312	935	9,015	26,353	11,337	301,519
Printing and photocopying	51,387	8,050	121,635	34,805	263	3,601	14,062	212	1,894	3,289	1,415	240,613
Rental equipment and facilities	59,296	69,109	37,157	33,912	1,293	12,632	6,317	573	12,667	16,144	6,945	256,045
Office supplies	104,767	19,533	16,426	71,107	649	8,138	6,643	492	11,752	8,100	3,485	251,092
Building maintenance	49,514	35,601	28,263	23,408	1,268	10,520	6,421	562	5,417	15,835	6,812	183,621
Telecommunications	59,038	39,284	21,998	21,756	788	20,396	5,584	349	6,443	9,838	4,232	189,706
Business and general insurance	49,017	36,402	28,899	23,934	1,297	10,096	6,336	574	5,539	16,191	6,965	185,250
Office rent	30,723	22,816	18,113	15,002	813	57,458	3,971	360	3,472	10,148	4,366	167,242
Utilities	40,044	29,738	23,609	19,553	1,059	8,248	5,176	469	4,525	13,227	5,690	151,338
Political contributions		159,289										159,289
Taxes	31,074	22,828	18,123	15,820	813	6,830	3,973	360	3,474	10,154	4,368	117,817
Dues, subscriptions, and fees	54,726	6,177	3,956	6,164	105	1,844	861	47	8,221	1,313	565	83,979
Insurance services				78,342								78,342
Other	992	3,827	33,728	28,660	36	3,804	21,152	16	2,340	450	194	95,199
Total	<u>\$ 5,155,786</u>	<u>\$ 2,400,670</u>	<u>\$ 2,230,335</u>	<u>\$ 1,782,793</u>	<u>\$ 1,114,966</u>	<u>\$ 845,485</u>	<u>\$ 644,859</u>	<u>\$ 438,395</u>	<u>\$ 600,551</u>	<u>\$ 444,156</u>	<u>\$ 191,078</u>	<u>\$ 15,849,074</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in members' equity	\$ 939,573	\$ 610,265
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	500,170	714,178
Loss on abandonment of property and equipment		11,050
Net gain on investments	(151,592)	(115,443)
Non-cash change in postretirement health benefits	24,788	(15,958)
Changes in:		
Restricted cash – ACSA PACs	(321,450)	366,089
Receivables	110,733	(327,035)
Prepaid expenses and other current assets	185,659	(131,909)
Accounts payable	39,163	(490,286)
Rebates payable to regions	9,316	(6,724)
Accrued expenses	(13,583)	23,127
Lease deposits		15,391
Deferred revenues	<u>173,609</u>	<u>301,353</u>
Net cash provided by operating activities	<u>1,496,386</u>	<u>954,098</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(256,339)	(134,480)
Purchase of investments	(2,123,362)	(531,041)
Proceeds from sale of investments	<u>2,097,849</u>	<u>505,354</u>
Net cash used by investing activities	<u>(281,852)</u>	<u>(160,167)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments of long-term obligations	(208,446)	(314,095)
Payments of postretirement health benefits	<u>(1,000)</u>	<u>(9,636)</u>
Net cash used by financing activities	<u>(209,446)</u>	<u>(323,731)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,005,088	470,200
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,033,876</u>	<u>1,563,676</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 3,038,964</u>	<u>\$ 2,033,876</u>
OTHER CASH FLOW INFORMATION:		
Interest paid	<u>\$ 296,125</u>	<u>\$ 301,517</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, 2014 AND 2013

1. ORGANIZATION

Association of California School Administrators (ACSA) is a California nonprofit mutual benefit corporation. ACSA was formed 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 was established by ACSA 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 established by ACSA to assist its 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, 2014 AND 2013

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. 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. Government grant revenues are recognized as related expenses are incurred.

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 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 2010.

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 selection of useful lives of property and equipment and the functional allocation of expenses. Accordingly, actual results could differ from those estimates.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

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 6, 2014, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2014 that require recognition or disclosure in such financial statements.

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

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>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 59,482	\$ 121,128
Mutual funds - equity		
Large blend	377,542	
Foreign large blend	218,629	
Mid-cap blend	154,121	
Small blend	124,481	
Diversified emerging markets	59,867	76,461
Large growth	29,540	239,829
Foreign large growth		153,843
Small growth		57,494
Mid-cap growth		53,905
Mid-cap value		32,322
Small value		32,246
Large value		157,529
Mutual funds – fixed income		
Intermediate-term bond	346,856	61,840
High-yield bond	72,672	
Short-term bond	57,604	103,713
Long-term bond		213,527
World bond		10,309
Emerging markets		9,543
Total	<u>\$ 1,500,794</u>	<u>\$ 1,323,689</u>

Interest and investment income consist of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 27,458	\$ 26,724
Net gain on investments	<u>151,592</u>	<u>115,443</u>
Total	<u>\$ 179,050</u>	<u>\$ 142,167</u>

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 10,561,708	\$ 10,506,651
Land	1,472,692	1,472,692
Office furniture and equipment	3,535,823	3,334,541
Website project	<u>398,629</u>	<u>398,629</u>
Total	15,968,852	15,712,513
Less accumulated depreciation and amortization	<u>(6,946,726)</u>	<u>(6,446,556)</u>
Property and equipment – net	<u>\$ 9,022,126</u>	<u>\$ 9,265,957</u>

During 2013, the Association chose to replace its website by June 30, 2014. Accordingly, the Association reduced the remaining useful life of the website to coincide with its planned replacement. The effect of this change in estimate reduced members' equity by \$253,908 for the year ended June 30, 2013.

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:

<u>Fiscal year ending June 30,</u>	
2015	\$ 552,499
2016	436,263
2017	245,614
2018	<u>3,129</u>
Total	<u>\$ 1,237,505</u>

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

6. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following:

	<u>2014</u>	<u>2013</u>
Mortgage note payable, secured by commercial property, payable in monthly installments of \$41,225, including fixed interest at 5.5%, maturing August 2015	\$ 5,273,357	\$ 5,472,057
Postretirement health benefit obligations	50,476	26,688
Term loan, secured by related equipment, payable in monthly installments including interest at 6.5%, matured August 2013	<u> </u>	<u>9,746</u>
Total	5,323,833	5,508,491
Less current portion	<u>(224,392)</u>	<u>(220,109)</u>
Long-term obligations	<u>\$ 5,099,441</u>	<u>\$ 5,288,382</u>

During July 2014, the Association refinanced the mortgage note payable above through two new notes. The first note for \$5,104,000 is secured by commercial property, payable in monthly installments of \$39,887, with fixed interest at 4.75% and maturing July 2029. The second note for \$319,000 is secured by equipment and accounts receivable, payable in monthly installments of \$7,358, with fixed interest at 5.00% and maturing July 2018. Scheduled annual maturities of these notes and postretirement health benefits are as follows:

Fiscal year ending June 30,

2015	\$ 299,445
2016	340,226
2017	353,645
2018	369,160
2019	294,612
Thereafter	<u>3,816,388</u>
Total	<u>\$ 5,473,476</u>

The Association has a Board approved policy that 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, 2014 AND 2013

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:

2015	\$ 169,117
2016	145,790
2017	60,860
2018	<u>3,954</u>
Total	<u>\$ 379,721</u>

8. LINE OF CREDIT

The Association has a \$750,000 revolving line of credit with Bank of America expiring December 31, 2014, with an interest rate equal to the BBA LIBOR Daily Floating Rate plus 4.25%. There was no outstanding balance as of June 30, 2014.

9. RETIREMENT PLAN

The Association has a defined contribution 401(k) plan covering substantially all employees. Total contributions by the Association for 2014 and 2013 were \$783,057 and \$813,343, 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>2014</u>	<u>2013</u>
AMS and website projects	\$ 874,608	\$ 731,411
Legal defense	<u>450,719</u>	<u>351,625</u>
Total	<u>\$ 1,325,327</u>	<u>\$ 1,083,036</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.

SUPPLEMENTAL SCHEDULES

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION JUNE 30, 2014

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	\$ 2,679,893	\$ 353,438	\$ 5,633			\$ 3,038,964
Restricted cash					\$ 788,857	788,857
Member receivables	600,121					600,121
Other accounts receivable	113,899	394,894				508,793
Prepaid expenses and other current assets	104,191	60,149				164,340
Total current assets	3,498,104	808,481	5,633		788,857	5,101,075
INVESTMENTS			1,500,794			1,500,794
PROPERTY AND EQUIPMENT – Net	9,022,126					9,022,126
TOTAL ASSETS	<u>\$ 12,520,230</u>	<u>\$ 808,481</u>	<u>\$ 1,506,427</u>	<u>\$</u>	<u>\$ 788,857</u>	<u>\$ 15,623,995</u>
LIABILITIES AND MEMBERS' EQUITY						
CURRENT LIABILITIES:						
Accounts payable	\$ 180,282	\$ 371,757	\$ 3,764			\$ 555,803
Rebates payable to regions	61,170					61,170
Current portion of long-term obligations	224,392					224,392
Accrued expenses	453,503					453,503
Lease deposits	41,837					41,837
Deferred registration and subscription fees	208,821	614,632				823,453
Deferred membership fees	358,690					358,690
Total current liabilities	1,528,695	986,389	3,764			2,518,848
LONG-TERM OBLIGATIONS	5,099,441					5,099,441
TOTAL LIABILITIES	6,628,136	986,389	3,764			7,618,289
DUE TO (FROM) AFFILIATES	(9,367,558)	9,359,045	653,853	\$ 19,392	\$ (664,732)	
MEMBERS' EQUITY – Unrestricted	15,259,652	(9,536,953)	848,810	(19,392)	1,453,589	8,005,706
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 12,520,230</u>	<u>\$ 808,481</u>	<u>\$ 1,506,427</u>	<u>\$</u>	<u>\$ 788,857</u>	<u>\$ 15,623,995</u>

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION JUNE 30, 2013

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	\$ 1,790,446	\$ 242,519	\$ 911			\$ 2,033,876
Restricted cash					\$ 467,407	467,407
Member receivables	628,914					628,914
Other accounts receivable	315,200	275,533				590,733
Prepaid expenses and other current assets	<u>162,446</u>	<u>187,553</u>				<u>349,999</u>
Total current assets	2,897,006	705,605	911		467,407	4,070,929
INVESTMENTS			1,323,689			1,323,689
PROPERTY AND EQUIPMENT – Net	<u>9,265,957</u>					<u>9,265,957</u>
TOTAL ASSETS	<u>\$ 12,162,963</u>	<u>\$ 705,605</u>	<u>\$ 1,324,600</u>	<u>\$</u>	<u>\$ 467,407</u>	<u>\$ 14,660,575</u>
LIABILITIES AND MEMBERS' EQUITY						
CURRENT LIABILITIES:						
Accounts payable	\$ 337,875	\$ 175,794	\$ 2,971			\$ 516,640
Rebates payable to regions	51,854					51,854
Current portion of long-term obligations	220,109					220,109
Accrued expenses	467,086					467,086
Lease deposits	41,837					41,837
Deferred registration and subscription fees	(11,981)	667,796				655,815
Deferred membership fees	<u>352,719</u>					<u>352,719</u>
Total current liabilities	1,459,499	843,590	2,971			2,306,060
LONG-TERM OBLIGATIONS	<u>5,288,382</u>					<u>5,288,382</u>
TOTAL LIABILITIES	6,747,881	843,590	2,971			7,594,442
DUE TO (FROM) AFFILIATES	(9,273,859)	9,395,959	574,466	\$ 18,592	\$ (715,158)	
MEMBERS' EQUITY – Unrestricted	<u>14,688,941</u>	<u>(9,533,944)</u>	<u>747,163</u>	<u>(18,592)</u>	<u>1,182,565</u>	<u>7,066,133</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 12,162,963</u>	<u>\$ 705,605</u>	<u>\$ 1,324,600</u>	<u>\$</u>	<u>\$ 467,407</u>	<u>\$ 14,660,575</u>

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATING STATEMENTS OF ACTIVITIES YEAR ENDED JUNE 30, 2014

	<u>ACSA</u>	<u>FEA</u>	<u>SASS</u>	<u>BSC</u>	<u>PACs</u>	<u>Consolidated</u>
REVENUES:						
Membership fees	\$ 10,305,863	\$ 116,742				\$ 10,422,605
Registration fees	892	3,702,539				3,703,431
Sponsorships	130,317	657,829			\$ 20	788,166
Advertising income	779,250					779,250
Rental income	626,182					626,182
PAC contributions					406,263	406,263
Interest and investment income	861		\$ 178,189			179,050
Subscription fees	9,737	101,300				111,037
Legal support	110,510					110,510
Publications		30,574				30,574
Other	92,118	1,587	12,812			106,517
Total revenues	<u>12,055,730</u>	<u>4,610,571</u>	<u>191,001</u>		<u>406,283</u>	<u>17,263,585</u>
EXPENSES:						
Program services:						
Professional development	1,326,927	4,611,977				5,938,904
Governmental relations	2,280,902				135,259	2,416,161
Communications	2,159,812	1,073				2,160,885
Member services	1,746,672	530	89,354	\$ 800		1,837,356
Regions	1,180,445					1,180,445
Professional assistance	895,231					895,231
Committees	447,864					447,864
Government grants						
Total program services	<u>10,037,853</u>	<u>4,613,580</u>	<u>89,354</u>	<u>800</u>	<u>135,259</u>	<u>14,876,846</u>
Supporting services:						
Governance	820,620					820,620
Operating/financial services	438,080					438,080
Executive	188,466					188,466
Total supporting services	<u>1,447,166</u>					<u>1,447,166</u>
Total expenses	<u>11,485,019</u>	<u>4,613,580</u>	<u>89,354</u>	<u>800</u>	<u>135,259</u>	<u>16,324,012</u>
INCREASE (DECREASE) IN MEMBERS' EQUITY	570,711	(3,009)	101,647	(800)	271,024	939,573
MEMBERS' EQUITY, Beginning of Year	<u>14,688,941</u>	<u>(9,533,944)</u>	<u>747,163</u>	<u>(18,592)</u>	<u>1,182,565</u>	<u>7,066,133</u>
MEMBERS' EQUITY, End 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>

ASSOCIATION OF CALIFORNIA SCHOOL ADMINISTRATORS AND AFFILIATES

CONSOLIDATING STATEMENTS OF ACTIVITIES YEAR ENDED JUNE 30, 2013

	<u>ACSA</u>	<u>FEA</u>	<u>SASS</u>	<u>BSC</u>	<u>PACs</u>	<u>Consolidated</u>
REVENUES:						
Membership fees	\$ 9,758,574	\$ 109,953				\$ 9,868,527
Registration fees	139	3,105,825				3,105,964
Sponsorships	159,458	586,668				746,126
Advertising income	675,642					675,642
Rental income	734,386					734,386
PAC contributions					\$ 440,300	440,300
Interest and investment income	1,037		\$ 141,130			142,167
Subscription fees	6,750	103,640				110,390
Legal support	94,028					94,028
Publications		37,435				37,435
Government grants		423,611				423,611
Other	47,731	20,285	12,747			80,763
Total revenues	<u>11,477,745</u>	<u>4,387,417</u>	<u>153,877</u>		<u>440,300</u>	<u>16,459,339</u>
EXPENSES:						
Program services:						
Professional development	1,349,013	3,806,773				5,155,786
Governmental relations	2,221,960				178,710	2,400,670
Communications	2,217,410	12,925				2,230,335
Member services	1,695,955	627	85,411	\$ 800		1,782,793
Regions	1,114,966					1,114,966
Professional assistance	845,485					845,485
Committees	644,859					644,859
Government grants	15,755	422,640				438,395
Total program services	<u>10,105,403</u>	<u>4,242,965</u>	<u>85,411</u>	<u>800</u>	<u>178,710</u>	<u>14,613,289</u>
Supporting services:						
Governance	600,551					600,551
Operating/financial services	444,156					444,156
Executive	191,078					191,078
Total supporting services	<u>1,235,785</u>					<u>1,235,785</u>
Total expenses	<u>11,341,188</u>	<u>4,242,965</u>	<u>85,411</u>	<u>800</u>	<u>178,710</u>	<u>15,849,074</u>
Intercompany revenues (expenses)	<u>32,244</u>	<u>(32,244)</u>				
INCREASE (DECREASE) IN MEMBERS' EQUITY	168,801	112,208	68,466	(800)	261,590	610,265
MEMBERS' EQUITY, Beginning of Year	<u>14,520,140</u>	<u>(9,646,152)</u>	<u>678,697</u>	<u>(17,792)</u>	<u>920,975</u>	<u>6,455,868</u>
MEMBERS' EQUITY, End of Year	<u>\$ 14,688,941</u>	<u>\$ (9,533,944)</u>	<u>\$ 747,163</u>	<u>\$ (18,592)</u>	<u>\$ 1,182,565</u>	<u>\$ 7,066,133</u>