

**Pennsylvania School Boards
Association, Inc.**

Combined Financial Statements and
Supplementary Information

Years Ended June 30, 2015 and 2014 with
Independent Auditor's Report

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PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

YEARS ENDED JUNE 30, 2015 AND 2014

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Independent Auditor's Report

Board of Directors and Management
Pennsylvania School Boards Association, Inc.

We have audited the accompanying combined financial statements of Pennsylvania School Boards Association, Inc. (Association) (a nonprofit organization) and its wholly-owned subsidiary, School Board Services, LLC (SBS), which comprise the combined statements of financial position as of June 30, 2015 and 2014, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statement, 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 combined 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 combined financial statements.

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

Basis for Adverse Opinion

As more fully described in Note 1 to the combined financial statements, the Association has not combined certain related entities in which it controls the majority voting interest of the governing body and in which it has an economic interest. Accounting principles generally accepted in the United States of America require that the Association combine these related entities. Resulting intercompany transactions should also be eliminated. Note 1 to the combined financial statements includes the financial results of these uncombined entities.

In addition, for the year ended June 30, 2014, the Association and SBS have excluded obligations for accrued compensated absences from liabilities in the accompanying statement of financial position. Accounting principles generally accepted in the United States of America require that such obligations be included in the statement of financial position.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements referred to in the first paragraph do not present fairly the financial position of the Association as of June 30, 2015 and 2014, or the changes in its net assets or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the combined financial statements. Because of the significance of the matter described above in the Basis for Adverse Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Mahe Duessel

Harrisburg, Pennsylvania
November 30, 2015

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 4,875,836	\$ 5,060,482
Investments	3,265,865	3,459,169
Accounts receivable	137,787	342,537
Accounts receivable - related parties	565,578	210,412
Inventories, materials, and supplies	11,097	11,757
Prepaid expenses	88,524	64,608
Total current assets	<u>8,944,687</u>	<u>9,148,965</u>
Property, plant, and equipment:		
Land	1,167,420	1,167,420
Building and improvements	6,531,015	6,439,856
Furniture and fixtures	753,152	746,000
Equipment, vehicles, and software	1,981,337	1,680,890
Accumulated depreciation	<u>(4,384,801)</u>	<u>(3,944,324)</u>
Total property, plant, and equipment	<u>6,048,123</u>	<u>6,089,842</u>
Other Assets	<u>38,830</u>	<u>40,821</u>
Total Assets	<u><u>\$ 15,031,640</u></u>	<u><u>\$ 15,279,628</u></u>

(Continued)

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

Liabilities and Net Assets	<u>2015</u>	<u>2014</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 63,927	\$ 88,841
Current maturities of mortgage payable, related party	166,627	159,308
Accrued pension expense	136,767	99,812
Accrued longevity recognition	83,868	96,891
Accrued payroll	413,558	162,359
Dues and other revenues received in advance	978,982	1,622,723
Total current liabilities	<u>1,843,729</u>	<u>2,229,934</u>
Noncurrent liabilities:		
Mortgage payable, related party, net of current maturities	<u>3,320,974</u>	<u>3,487,601</u>
Total Liabilities	<u>5,164,703</u>	<u>5,717,535</u>
Net Assets:		
Unrestricted:		
Undesignated:		
Investment in property, plant, and equipment	2,560,522	2,440,942
Other undesignated	4,844,763	4,646,262
Board-designated:		
Public outreach	127,484	140,721
Benefit stabilization	1,875,099	1,875,099
Building programs and improvements	459,069	459,069
Total Net Assets	<u>9,866,937</u>	<u>9,562,093</u>
Total Liabilities and Net Assets	<u><u>\$ 15,031,640</u></u>	<u><u>\$ 15,279,628</u></u>

(Concluded)

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

COMBINED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Revenues, Gain, and Other Support:		
Membership dues	\$ 4,489,635	\$ 4,352,263
Publications	263,868	431,322
Program revenues	2,062,875	2,224,324
Support services billings	3,024,441	2,884,624
Other revenues	1,032,378	930,787
Total revenues, gain, and other support	<u>10,873,197</u>	<u>10,823,320</u>
Expenses:		
Program	784,860	695,041
General	2,671,630	2,587,530
Administration	4,061,156	3,910,427
Publication and production	459,734	753,064
School board and management services	1,137,228	1,185,965
Legal salaries	231,988	237,619
Governmental and member relations	595,347	468,608
Member services	288,664	176,720
Member relations	224,587	115,825
Talent development	67,619	-
Professional development	45,540	-
Total expenses	<u>10,568,353</u>	<u>10,130,799</u>
Change in Net Assets	304,844	692,521
Net Assets:		
Beginning of year	<u>9,562,093</u>	<u>8,869,572</u>
End of year	<u>\$ 9,866,937</u>	<u>\$ 9,562,093</u>

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

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	\$ 304,844	\$ 692,521
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	487,123	449,056
Loss on disposal of property, plant, and equipment	7,707	5,694
(Increase) decrease in:		
Accounts receivable	(150,416)	(93,283)
Inventories, materials, and supplies	660	13,597
Prepaid expenses	(23,916)	63,721
Increase (decrease) in:		
Accounts payable	(24,914)	29,448
Accrued pension expense	36,955	7,573
Accrued longevity recognition	(13,023)	(41,097)
Accrued payroll	251,199	74,445
Dues and other revenues received in advance	(643,741)	(91,032)
Net cash and cash equivalents provided by operating activities	232,478	1,110,643
Cash Flows From Investing Activities:		
Payments for purchases of property, plant, and equipment	(451,120)	(457,740)
Proceeds from sale of property, plant, and equipment	10,145	-
Net sales (purchases) of investments	183,159	(1,497,332)
Net cash and cash equivalents used in investing activities	(257,816)	(1,955,072)
Cash Flows From Financing Activities:		
Payments on mortgage payable, related party	(159,308)	(152,311)
Net cash and cash equivalents used in financing activities	(159,308)	(152,311)
Net Decrease in Cash and Cash Equivalents	(184,646)	(996,740)
Cash and Cash Equivalents:		
Beginning of year	5,060,482	6,057,222
End of year	\$ 4,875,836	\$ 5,060,482
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 160,852	\$ 167,849

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

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

1. NATURE OF ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity

Founded in 1895, Pennsylvania School Boards Association, Inc. (Association) is a nonprofit membership association of Pennsylvania school boards, directors, administrators, and other tax-supported education individuals and entities. Located in Mechanicsburg, Pennsylvania, the Association's purpose is to provide members with administrative, technical, and educational support in all fields related to education and its administration.

The Association is a voluntary membership organization. In accordance with bylaw changes approved by the membership, the Governing Board (Board) was reduced to 12 members, 11 voting and one non-voting, on January 1, 2014. The Board, as of January 1, 2014, consists of the president, president-elect, vice-president, treasurer, immediate past-president, three at-large regional directors representing east, central, and western areas of the Commonwealth of Pennsylvania, and the chair and two co-chairs of the Regional Directors Coordinating Council (RDCC). The non-voting member of the Board is the chair of the Advisory Council. The Board is charged with directing the general affairs of the Association between annual business meetings. The Association's executive director oversees the operations and reports directly to the Board.

The Association offers membership to 606 public school entities: school districts, career and technical schools, intermediate units, and community colleges. The number in each category and number accepting membership for the past three years follows:

Entity Type	Total	Accepting Membership		
		2013	2014	2015
School Districts	500	498	498	499
Career and Technical	65	66	66	65
Intermediate Units	27	27	27	27
Community Colleges	14	14	14	14
Total	606	605	605	605

Dues rates are established by Board action and were increased for the year ended June 30, 2015. Previously, dues had not changed since 2007-2008. Under Association Bylaws, school district dues are calculated using a "rate per million dollars of market value and a flat base fee which is applicable to all districts." Intermediate units, career and technical schools, and community colleges pay a fixed flat fee. The current fee structure for these entities is as follows:

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

School Districts

For the year ended June 30, 2015, districts were charged \$9.00 per million dollars of market value on the first billion dollars: \$2.00 per each additional million dollars of market value thereafter to a maximum of \$11,175 plus a base fee of \$1,370. The market values of property are acquired from the Pennsylvania State Tax Equalization Bureau annually.

For the year ended June 30, 2014, districts were charged \$9.00 per million dollars of market value on the first billion dollars: \$2.00 per each additional million dollars of market value thereafter to a maximum of \$10,950 plus a base fee of \$1,050. The market values of property are acquired from the Pennsylvania State Tax Equalization Bureau annually.

Intermediate Units and Career and Technical Schools

For the years ended June 30, 2015 and 2014, the flat base fee was \$1,575 and \$1,275, respectively.

Community Colleges

\$2,850 flat base fee.

Accounting Method

The Association maintains its accounting records on the accrual basis; accordingly, revenue is recognized when earned, and expenses are recognized when incurred.

Principles of Combination

The combined financial statements include the accounts of the Association and its wholly-owned subsidiary, School Board Services, LLC (SBS). All material inter-company transactions have been eliminated.

SBS was established by an operating agreement effective November 17, 2006. The purpose of SBS is to provide support services to the Association and its related entities. SBS is governed by members of the executive committee of the Association. The Association is the sole member of SBS.

In order to present financial statements in accordance with accounting principles generally accepted in the United States of America, the Association is required under Financial Accounting Standards Board (FASB) Codification 958, *Not-for-profit Entities (ASC 958)*, to combine entities in which it controls the majority voting interest of the governing body and has an economic interest in a related organization. Under this guidance, the Pennsylvania

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School Boards Association Insurance Trust (Trust), School Claims Services, LLC (SCS), the School Boards Insurance Company of Pennsylvania (SBIC), and the Pennsylvania Public Education Foundation (Foundation) should be combined with the Association's financial statements.

The Trust, SCS, and SBIC report fiscal results on a calendar year-end and are not combined within the Association's financial statements.

The following tables represent significant financial data for the two most recently audited fiscal periods of the non-combined entities:

	Year Ended December 31, 2014 (in thousands)			
	Trust	SCS	SBIC	Total (net of eliminations)
Total assets	\$ 80,441	\$ 6,242	\$ 202,945	\$ 233,279
Total liabilities	9,348	4,560	148,558	162,186
Total revenue	7,239	6,611	55,333	60,063
Total expenses	6,774	6,656	50,219	54,984
Increase in equity of subsidiaries	4,614	-	-	-
Increase/(decrease) in net assets	5,079	(45)	5,114	5,079

	Year Ended December 31, 2013 (in thousands)			
	Trust	SCS	SBIC	Total (net of eliminations)
Total assets	\$ 77,918	\$ 5,477	\$ 211,250	\$ 242,965
Total liabilities	11,904	3,750	161,977	176,951
Total revenue	5,104	6,548	53,821	57,472
Total expenses	6,458	7,188	58,722	63,980
Decrease in equity of subsidiaries	(5,154)	-	-	-
Decrease in net assets	(6,508)	(640)	(4,901)	(6,508)

Consolidated net assets, net of eliminations, of the non-combined, calendar-year entities totaled \$71,093,000 and \$66,014,000 at December 31, 2014 and 2013, respectively.

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The Pennsylvania Public Education Foundation was established in 1987 as a private foundation. In 2004, the Foundation became dormant. The Foundation was reactivated in 2014 and was determined by the Internal Revenue Service to be a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. It was further determined that the Foundation is considered to be a Type I supporting organization for the exclusive benefit of the Association. The Foundation is not combined in the Association's financial statements.

The following table represents significant financial data for the most recent reviewed fiscal period for the Foundation:

	<u>Year ended</u> <u>June 30, 2015</u>
Total assets	\$ 29,592
Total liabilities	12,185
Total revenue	45,860
Total expenses	28,273
Increase in net assets	17,407

Use of Estimates

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

Revenue Recognition

Membership dues are recognized as revenue in the applicable membership period, which runs concurrent with the Association's fiscal year. Collected but unearned membership dues are presented as dues received in advance. Billed and unpaid amounts are presented as accounts receivable.

Publication revenue represents income related to the sale of internally developed publications and is recognized as revenue over the subscription period. Subscription periods are concurrent with membership periods.

Program revenue consists primarily of income related to conferences, workshops, and seminars that are held during the fiscal year and is recognized upon the completion of the

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program. Collected but unearned program revenue related to conferences, workshops, and seminars is presented as revenues received in advance.

Support services billings represent reimbursements received by SBS for salary and benefits provided to related entities.

Other revenue consists primarily of interest income, royalty income, and amounts received related to providing various operating supplies, services, and facilities to the Trust, SCS, and SBIC.

Cash and Cash Equivalents

The Association considers all unrestricted, highly liquid investments to be cash equivalents. The Association has reduced its credit risk for cash by maintaining deposits at several financial institutions located in Pennsylvania, which may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Fair Value Measurements

Investments are reported at fair values with gains and losses included in the statement of activities. Valuation techniques and inputs used to develop fair value measurements are based on a fair value hierarchy.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

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Level 3 — Securities that have little to no pricing observability as of the report date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the Association. The Association considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Association’s perceived risk of that instrument.

Valuation of Investments

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include fixed income securities (certificates of deposit) and certain money market securities. The Association does not adjust the quoted price for such instruments, even in situations where the Association holds a large position and a sale could reasonably impact the quoted price.

The Association does not have Level 2 or 3 investments.

Accounts Receivable

Accounts receivable mainly represent amounts due from the trust or school districts for various services rendered, and unpaid membership dues at year-end, if any. The Association expenses past due accounts receivable when, in the opinion of management, the Association no longer has any possibility of collection. Potential uncollectible accounts receivable at year-end are considered immaterial to total accounts receivable; therefore, an allowance for such losses has not been established.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost, less accumulated depreciation. Depreciation policies reflect the use of the straight-line method. Individual items comprising

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buildings and improvements are depreciated over estimated useful lives ranging from five to thirty years. Items of furniture, fixtures, equipment, vehicles, and software are depreciated over estimated useful lives ranging from three to ten years.

The cost of maintenance and repairs is charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the change in net assets for the period.

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 is \$487,123 and \$449,056, respectively.

Compensated Absences

Association employees are granted vacation in varying amounts based on their length of employment. A maximum of five days may be carried over to the next calendar year. Additional carryover days may be permitted, in extenuating circumstances, with approval from management. Full-time Association employees earn sick leave at one day per month up to a maximum of ten days. Employees may accumulate unused sick leave without limitation. Employees will not be paid for unused sick leave upon separation of employment unless eligible under the Employee Longevity Recognition Program.

Impairment

The Association reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future cash flows. If it is determined that an impairment loss has occurred based on the expected cash flows, a loss is recognized in the combined statements of activities.

Tax-Exempt Status

The Association is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code on activities related to the Association's exempt purpose and has been classified as an organization other than a private foundation.

Income Taxes

The Internal Revenue Service has determined that the Association is exempt from federal income tax under Section 501(a) of the Internal Revenue Code and is considered a 501(c)(4) organization. However, the Association is subject to federal income tax on unrelated trade or

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

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business income. Unrelated trade or business income consists primarily of advertising income and conference facility rental income.

Further, the Association annually files a Form 990 and a Form 990-T.

SBS is a limited liability corporation and is subject to federal and state income tax.

Pension Plan and Longevity Recognition

Association employees participate in the Pennsylvania School Employees' Retirement System (PSERS). The Association's policy is to fund statutory depository requirements as accrued.

Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. INVESTMENTS

The fair values of investments as of June 30 are as follows:

	<u>2015</u>	<u>2014</u>
Money market funds	254,753	258,827
Certificates of deposit	<u>3,011,112</u>	<u>3,200,342</u>
	<u>\$ 3,265,865</u>	<u>\$ 3,459,169</u>

Fair Value of Financial Instruments

As of June 30, 2015 and 2014, all of the Association's investments are classified as Level 1 investments.

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

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3. ACCRUED LONGEVITY RECOGNITION

On May 20, 1988, the Association adopted the PSBA Employee Longevity Recognition Program. Portions of this program provide for a one-time cash award to be paid to employees who reach retirement eligibility, designate intent to enter into the required PSERS retirement system, and have at least 10 years of Association service. Effective January 1, 2011, new employees are no longer eligible to participate in the program. As of June 30, 2013, no additional benefits will be earned under the longevity program.

Cash award calculations are based upon a percentage of an employee's per diem pay rate at June 30, 2013, in conjunction with accumulated unused sick leave at the same date. An additional fifteen percent of the amount due is awarded to any employee who attains exemplary attendance during his/her years of employment with the Association. Exemplary attendance is defined as having accumulated a number of unused sick leave days equal to or greater than 70% of the maximum allowable sick leave entitlement as of June 30, 2013.

There were no costs related to the program for the years ended June 30, 2015 or 2014. The Association does not specifically fund accrued longevity recognition.

4. MORTGAGE PAYABLE, RELATED PARTY

On November 16, 2004, the Association executed a mortgage note with the Trust, an uncombined controlled entity of PSBA, in the amount of \$4,800,000, representing financing for Mechanicsburg facilities. The note matures on May 1, 2030. Terms of the note provide for a twenty-five year amortization. Interest accrues at the fixed rate of 4.5% for five years. The interest rate was subject to renegotiation on January 1, 2010, and the negotiated rate is limited to the prime rate plus 50 basis points. No renegotiation occurred during the year ended June 30, 2010, and the rate will continue as originally stated. The note is secured by way of a first mortgage lien on the land and buildings, equipment, and furniture and fixtures owned by the Association. At June 30, 2015 and 2014, these items have a net book value of \$6,048,123 and \$6,089,842, respectively.

Total interest paid and accrued upon such obligation for the years ended June 30, 2015 and 2014 was \$160,852 and \$167,849, respectively.

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

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Maturities of the mortgage payable in each of the next five years and thereafter are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 166,627
2017	174,282
2018	182,288
2019	190,662
2020	199,421
Thereafter	<u>2,574,321</u>
	<u>\$ 3,487,601</u>

5. NET ASSET DESIGNATIONS

On September 18, 1998, the Association's Board of Directors voted to designate net assets for potential future building programs and improvements and future technology improvements in the amounts of \$1,000,000 and \$250,000.

On July 11, 2000, the Association's Board voted to designate \$30,000 for public outreach. This program is designed to increase public awareness of the Association and its activities. An additional \$100,000 was designated for public outreach during the fiscal year ended June 30, 2002. An additional \$235,000 was designated for public outreach during the fiscal year ended June 30, 2007. During the years ended June 30, 2015 and 2014, \$13,237 and \$13,901 were transferred to unrestricted net assets.

On June 27, 2003, the Association's Board voted to designate a portion of unallocated reserves in the form of a new employee benefits rate stabilization designation in order to help minimize the costs of funding retirement and healthcare costs.

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NOTES TO COMBINED FINANCIAL STATEMENTS

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Changes and activity in undesignated and designated net asset categories for the years ended June 30, 2015 and 2014 are summarized as follows:

	Undesignated		Designated			Total
	Investment in Property, Plant, and Equipment	Other Undesignated	Public Outreach	Benefit Stabilization	Building Programs and Improvements	
Net assets at July 1, 2014	\$ 2,440,942	\$ 4,646,262	\$ 140,721	\$ 1,875,099	\$ 459,069	\$ 9,562,093
Change in net assets	-	304,844	-	-	-	304,844
Net assets prior to allocations and transfers	2,440,942	4,951,106	140,721	1,875,099	459,069	9,866,937
Allocations and transfers						
Public outreach	-	13,237	(13,237)	-	-	-
Benefit stabilization allocation	-	-	-	-	-	-
Purchase of fixed assets	451,120	(451,120)	-	-	-	-
Asset disposals	(7,707)	7,707	-	-	-	-
Depreciation and amortization	(483,141)	483,141	-	-	-	-
Mortgage principal payments	159,308	(159,308)	-	-	-	-
Net assets at June 30, 2015	<u>\$ 2,560,522</u>	<u>\$ 4,844,763</u>	<u>\$ 127,484</u>	<u>\$ 1,875,099</u>	<u>\$ 459,069</u>	<u>\$ 9,866,937</u>

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

	Undesignated		Designated			Total
	Investment in Property, Plant, and Equipment	Other Undesignated	Public Outreach	Benefit Stabilization	Building Programs and Improvements	
Net assets at July 1, 2013	\$ 2,285,641	\$ 4,095,141	\$ 154,622	\$ 1,875,099	\$ 459,069	\$ 8,869,572
Change in net assets	-	692,521	-	-	-	692,521
Net assets prior to allocations and transfers	2,285,641	4,787,662	154,622	1,875,099	459,069	9,562,093
Allocations and transfers						
Public outreach	-	13,901	(13,901)	-	-	-
Benefit stabilization allocation	-	-	-	-	-	-
Purchase of fixed assets	457,740	(457,740)	-	-	-	-
Asset disposals	(5,694)	5,694	-	-	-	-
Depreciation and amortization	(449,056)	449,056	-	-	-	-
Mortgage principal payments	152,311	(152,311)	-	-	-	-
Net assets at June 30, 2014	<u>\$ 2,440,942</u>	<u>\$ 4,646,262</u>	<u>\$ 140,721</u>	<u>\$ 1,875,099</u>	<u>\$ 459,069</u>	<u>\$ 9,562,093</u>

Net assets as of June 30, 2015 and 2014 are summarized as follows:

	2015		2014	
	Amount	Proportion	Amount	Proportion
Undesignated - investment in property plant, and equipment	\$ 2,511,785	25.4%	\$ 2,440,942	25.5%
Undesignated - other	4,893,500	49.6%	4,646,262	48.6%
Designated - public outreach	127,484	1.3%	140,721	1.5%
Designated - benefit stabilization	1,875,099	19.0%	1,875,099	19.6%
Designated - building programs and improvements	459,069	4.7%	459,069	4.8%
Total net assets	<u>\$ 9,866,937</u>	<u>100.0%</u>	<u>\$ 9,562,093</u>	<u>100.0%</u>

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

6. PENSION PLAN

Plan Description

The Association provides pension benefits to its eligible employees by way of its participation in the Public School Employees' Retirement System (PSERS), a cost-sharing, multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania (Commonwealth). The PSERS Employer Identification Number (EIN) is 23-1739115, and the Association's plan number is 9830.

The Association has no collective bargaining agreements with PSERS. However, membership in PSERS is mandatory for nearly all qualifying public school employees in the Commonwealth. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of PSBA, ex officio; two Governor appointees, at least whom shall not be a school employee or an officer or employee of Pennsylvania; three who are elected by the active professional members of PSERS from among their number, one who is elected by annuitants from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act on their behalf. The Commonwealth's General Assembly has the authority to amend the benefit terms of PSERS by passing bills in the Senate and House of Representatives by sending them to the Governor for approval.

As of the latest actuarial valuation dated June 30, 2014, PSERS funded percentage is 62.0% and is considered to be in "endangered" status or in the "red zone" under the Pension Protection Act of 2006. Risk related to the plan is shared among all of the participating employers. Based on the cost-sharing provisions, the Commonwealth is accepting 50% of the risk of the plan.

PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Benefits Provided

PSERS provides retirement, disability, and death benefits according to statute.

There are various PSERS membership classes. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, members whose membership started prior to July 1, 2011 are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Upon the provisions of Act 120 of 2010, which created two new membership classes, members whose membership started after June 30, 2011 are eligible for monthly retirement benefits upon reaching (a) age 65 with a minimum of three years of service; or (b) attainment of a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Retirement benefits are generally paid equal to 2% or 2.5%, depending upon membership class, of the member's final average salary multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For the members whose membership started after June 30, 2011, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age.

For members whose membership started prior to July 1, 2011, death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service. For members whose membership started after June 30, 2011, death benefits are payable upon the death of an active member who has reached age 65 with at least three years of credited service. Death benefits for all members are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member contributions:

Contribution rates for active members vary from 5.25% to 10.30% of gross pay, depending upon membership class. The contribution rate for members whose membership started after June 30, 2011 includes a shared risk provision, so members benefit when investments are doing well and share some of the risk when investments underperform. The contribution rate

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

for these members will never go below the base rate or above the highest percentage rate. The Association employee contributions to PSERS for the years ended June 30, 2015 and 2014 were \$321,237 and \$326,592, respectively.

Employer contributions:

The Board establishes contributions based on actuarially determined contributions recommended by an independent actuary. The Association's contractually required contribution rates for the years ended June 30, 2015 and 2014 were 21.40% and 16.93%, respectively, of annual payroll. The PSERS funding policy provides for periodic employer and Commonwealth contributions at actuarially determined rates based on PSERS funding valuation, expressed as a percentage of annual covered payroll, such that employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay retirement benefits when due. However, Act 120 of 2010 imposed rate increase collars (limits on annual rate increases) on employer contributions. The collar for PSERS fiscal year 14/15 was 20.50% and will remain at that rate until no longer needed. The Association's contributions to PSERS for the years ended June 30, 2015 and 2014 were \$413,073 and \$340,848, respectively, equal to the required contributions for each year. The Association's contributions to PSERS do not represent greater than five percent of total plan contributions for the years ended June 30, 2015 and 2014.

Utilizing projected employer contribution rates provided by PSERS, the Association's projected employer's pension payments for the next five years are as follows:

Years Ending June 30	% of Covered Payroll		Amount
	PSERS Employer Rate	Association Responsibility	
2016	29.69%	14.85%	\$ 606,862
2017	30.62%	15.31%	678,334
2018	31.56%	15.78%	720,346
2019	32.23%	16.12%	759,221
2020	32.02%	16.01%	783,680

The Association, through June 30, 2015, has designated \$1,875,099 to the Benefit Stabilization Fund in order to help minimize the costs of funding retirement and healthcare costs. See Note 5 for further information on net asset designations.

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Payables to the Pension Plan

Accrued pension expense at June 30, 2015 and 2014 was \$136,767 and \$99,812, respectively.

7. OPERATING LEASES

The Association had a multiple-year non-cancelable lease for black-and-white and color copiers. The contract had a yearly fee of \$135,468 with minimum monthly expenses of \$11,289. Overages were calculated on a yearly basis. The Association was charged \$0.0085 per copy with respect to black-and-white overages, while color overages were charged at \$0.057 per copy. This contract was to expire on June 30, 2015, but was renegotiated on March 6, 2014.

Under the new lease contract, the Association pays \$18,497 quarterly with minimum monthly expenses of \$6,162. Overages are calculated on a yearly basis. The Association is charged \$0.0069 per copy with respect to black-and-white overages, while color overages are charged at \$0.055 per copy. This contract is to expire in March 2019.

In February 2015, the lease was renegotiated. Monthly payments and overage charges remained the same and the contract is to expire in November 2018.

As of June 30, 2015 and 2014, leased copier expense was \$73,948 and \$120,380, respectively.

Future minimum lease payments in each of the four years remaining under the leases are:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 73,948
2017	73,948
2018	73,948
2019	24,649
	<u>\$ 246,493</u>

8. RELATED PARTY TRANSACTIONS

The Trust was established by a formal trust agreement with the Association in 1971. The purpose of the Trust is to provide benefits of group insurance procurement and

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

administration of self-insurance programs to school districts, other Association members, other tax-supported entities, and employees and officials of such entities. Ultimately controlled and operated by Association officials, the Trust, its wholly-owned subsidiary, SCS, and SBIC, operate as separate entities. The Trust is the sole shareholder of SBIC.

The Association periodically incurs costs on behalf of the Trust, SCS, and SBIC relating to providing various operating supplies, services, and facilities. These costs are reflected on each entity's individual financial statements. The Association's June 30, 2015 and 2014 combined financial statements include reimbursement for costs that are specifically allocated to the Trust related to space allocation and fees. Revenue of \$407,074 and \$395,614 has been recognized on the Association's combined financial statements for the years ended June 30, 2015 and 2014, respectively. The Association has entered into a license and royalty agreement with its related insurance entities that provided royalty revenue of \$400,000 and \$300,000 in 2015 and 2014, respectively. Royalty income is included in other income on the combined statements of activities.

The Association's accounts receivable – related parties balance on the combined statements of financial position includes \$512,193 and \$200,862 due from the Trust, \$20,833 and \$0 due from SBIC, and \$32,552 and \$9,550 due from SCS at June 30, 2015 and 2014, respectively.

The Trust provided financing to the Association for the acquisition and construction of the Mechanicsburg, Pennsylvania facilities. See Note 4 for information on the mortgage payable.

The Association is due \$223,721 and \$2,097 at June 30, 2015 and 2014, respectively, from SBS related to services provided throughout the year. This amount is eliminated in combination.

9. COMMITMENTS AND CONTINGENCIES

The Association has entered into contracts with various facilities to host its various workshops, seminars, and its annual conference in future fiscal years. Each contract may impose substantial penalties and forfeitures upon the Association in the event of cancellation or if certain targeted room reservations and meal bookings are not reached. However, the contracted guaranteed minimums are within historic attendance figures for prior annual meetings. Accordingly, while the penalties may be substantial, management estimates the risk of loss to be slight, and no maximum potential loss has been calculated.

On June 15, 2015, the Association entered into a construction contract for renovations to the administrative offices. The total amount of the contract is for \$609,968 and work was scheduled to begin in July 2015.

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

As more fully described in Note 6, it is likely that future contributions to the PSERS retirement plan will significantly increase, due to the current funded status of the plan and amount of negotiated benefits to be paid.

10. FUNCTIONAL EXPENSES

The cost of providing the various programs and other activities of the Association are summarized on a functional basis below. The functional expense classifications for providing these services for June 30 are as follows:

	<u>2015</u>	<u>2014</u>
Program services	\$ 7,931,108	\$ 7,626,509
Management and general	<u>2,637,245</u>	<u>2,504,290</u>
Total expenses	<u>\$ 10,568,353</u>	<u>\$ 10,130,799</u>

11. SUBSEQUENT EVENTS

On September 30 2015, the Association paid \$3,445,778 to the Trust to pay off the mortgage note.

The Trust entered into a sales agreement with Church Mutual Insurance Company of Merrill, Wisconsin to sell SBIC, SCS, and associated assets and liabilities of certain divested services of the Trust on October 14, 2015. This transaction requires the approval of the Pennsylvania Department of Insurance and is expected to close no earlier than April 1, 2016. Several insurance programs will continue in the Trust after the completion of the transaction which will remain under the economic control of the Association. This sale will result in all of the SBS employees, as of June 30, 2015, leaving the employment of SBS.

Supplementary Information

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

Assets	Pennsylvania School Boards Association	School Board Services, LLC	Eliminations	Combined Total
Current assets:				
Cash and cash equivalents	\$ 4,875,836	\$ -	\$ -	\$ 4,875,836
Investments	3,265,865	-	-	3,265,865
Accounts receivable	137,787	-	-	137,787
Accounts receivable - related parties	414,666	374,633	(223,721)	565,578
Inventories, materials, and supplies	11,097	-	-	11,097
Prepaid expenses	88,524	-	-	88,524
Total current assets	8,793,775	374,633	(223,721)	8,944,687
Property, plant, and equipment:				
Land	1,167,420	-	-	1,167,420
Building and improvements	6,531,015	-	-	6,531,015
Furniture and fixtures	753,152	-	-	753,152
Equipment, vehicles, and software	1,981,337	-	-	1,981,337
Accumulated depreciation	(4,384,801)	-	-	(4,384,801)
Total property, plant, and equipment	6,048,123	-	-	6,048,123
Other assets	38,830	-	-	38,830
Total Assets	\$ 14,880,728	\$ 374,633	\$ (223,721)	\$ 15,031,640

Liabilities and Net Assets	Pennsylvania School Boards Association	School Board Services, LLC	Eliminations	Combined Total
Liabilities:				
Current liabilities:				
Accounts payable	\$ 63,927	\$ -	\$ -	\$ 63,927
Accounts payable - related parties	-	223,721	\$ (223,721)	-
Current maturities of mortgage payable, related party	166,627	-	-	166,627
Accrued pension expense	136,767	-	-	136,767
Accrued longevity recognition	83,868	-	-	83,868
Accrued payroll	262,646	150,912	-	413,558
Dues and other revenues received in advance	978,982	-	-	978,982
Total current liabilities	1,692,817	374,633	(223,721)	1,843,729
Noncurrent liabilities:				
Mortgage payable, related party, net of current maturities	3,320,974	-	-	3,320,974
Total Liabilities	5,013,791	374,633	(223,721)	5,164,703
Net Assets:				
Unrestricted:				
Undesignated:				
Investment in property, plant, and equipment	2,560,522	-	-	2,560,522
Other undesignated	4,844,763	-	-	4,844,763
Board-designated:				
Public outreach	127,484	-	-	127,484
Benefit stabilization	1,875,099	-	-	1,875,099
Building programs and improvements	459,069	-	-	459,069
Total Net Assets	9,866,937	-	-	9,866,937
Total Liabilities and Net Assets	\$ 14,880,728	\$ 374,633	\$ (223,721)	\$ 15,031,640

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

Assets	Pennsylvania School Boards Association	School Board Services, LLC	Eliminations	Combined Total
Current assets:				
Cash and cash equivalents	\$ 5,060,482	\$ -	\$ -	\$ 5,060,482
Investments	3,459,169			3,459,169
Accounts receivable	342,537	-	-	342,537
Accounts receivable - related parties	140,588	71,921	(2,097)	210,412
Inventories, materials, and supplies	11,757	-	-	11,757
Prepaid expenses	64,608	-	-	64,608
Total current assets	9,079,141	71,921	(2,097)	9,148,965
Property, plant, and equipment:				
Land	1,167,420	-	-	1,167,420
Building and improvements	6,439,856	-	-	6,439,856
Furniture and fixtures	746,000	-	-	746,000
Equipment, vehicles, and software	1,680,890	-	-	1,680,890
Accumulated depreciation	(3,944,324)	-	-	(3,944,324)
Total property, plant, and equipment	6,089,842	-	-	6,089,842
Other assets	40,821	-	-	40,821
Total Assets	\$ 15,209,804	\$ 71,921	\$ (2,097)	\$ 15,279,628

Liabilities and Net Assets	Pennsylvania School Boards Association	School Board Services, LLC	Eliminations	Combined Total
Liabilities:				
Current liabilities:				
Accounts payable	\$ 88,841	\$ -	\$ -	\$ 88,841
Accounts payable - related parties	-	\$ 2,097	\$ (2,097)	-
Current maturities of mortgage payable, related party	159,308	-	-	159,308
Accrued pension expense	99,812	-	-	99,812
Accrued longevity recognition	96,891	-	-	96,891
Accrued payroll	92,535	69,824	-	162,359
Dues and other revenues received in advance	1,622,723	-	-	1,622,723
Total current liabilities	2,160,110	71,921	(2,097)	2,229,934
Noncurrent liabilities:				
Mortgage payable, related party, net of current maturities	3,487,601	-	-	3,487,601
Total Liabilities	5,647,711	71,921	(2,097)	5,717,535
Net Assets:				
Unrestricted:				
Underdesignated:				
Investment in property, plant, and equipment	2,440,942	-	-	2,440,942
Other undesignated	4,646,262	-	-	4,646,262
Board-designated:				
Public outreach	140,721	-	-	140,721
Benefit stabilization	1,875,099	-	-	1,875,099
Building programs and improvements	459,069	-	-	459,069
Total Net Assets	9,562,093	-	-	9,562,093
Total Liabilities and Net Assets	\$ 15,209,804	\$ 71,921	\$ (2,097)	\$ 15,279,628

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Pennsylvania School Boards Association	School Board Services, LLC	Eliminations	Combined Total
Revenues, Gain, and Other Support:				
Membership dues	\$ 4,489,635	\$ -	\$ -	\$ 4,489,635
Publications	263,868	-	-	263,868
Program revenues	2,062,875	-	-	2,062,875
Support services billings	-	3,024,441	-	3,024,441
Other revenues	1,032,378	-	-	1,032,378
Total revenues, gain, and other support	7,848,756	3,024,441	-	10,873,197
Expenses:				
Program	784,860	-	-	784,860
General	2,071,758	599,872	-	2,671,630
Administration	1,636,587	2,424,569	-	4,061,156
Publication and production	459,734	-	-	459,734
School board and management services	1,137,228	-	-	1,137,228
Legal salaries	231,988	-	-	231,988
Governmental and member relations	595,347	-	-	595,347
Member services	288,664	-	-	288,664
Member relations	224,587	-	-	224,587
Talent development	67,619	-	-	67,619
Professional development	45,540	-	-	45,540
Total expenses	7,543,912	3,024,441	-	10,568,353
Change in Net Assets	304,844	-	-	304,844
Net Assets:				
Beginning of year	9,562,093	-	-	9,562,093
End of year	\$ 9,866,937	\$ -	\$ -	\$ 9,866,937

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Pennsylvania School Boards Association	School Board Services, LLC	Eliminations	Combined Total
Revenues, Gain, and Other Support:				
Membership dues	\$ 4,352,263	\$ -	\$ -	\$ 4,352,263
Publications	431,322	-	-	431,322
Program revenues	2,224,324	-	-	2,224,324
Support services billings	-	2,884,624	-	2,884,624
Other revenues	930,787	-	-	930,787
Total revenues, gain, and other support	7,938,696	2,884,624	-	10,823,320
Expenses:				
Program	695,041	-	-	695,041
General	2,035,692	551,838	-	2,587,530
Administration	1,577,641	2,332,786	-	3,910,427
Publication and production	753,064	-	-	753,064
School board and management services	1,185,965	-	-	1,185,965
Legal salaries	237,619	-	-	237,619
Governmental and member relations	468,608	-	-	468,608
Member services	176,720	-	-	176,720
Member relations	115,825	-	-	115,825
Total expenses	7,246,175	2,884,624	-	10,130,799
Change in Net Assets	692,521	-	-	692,521
Net Assets:				
Beginning of year	8,869,572	-	-	8,869,572
End of year	\$ 9,562,093	\$ -	\$ -	\$ 9,562,093

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

SUPPLEMENTARY SCHEDULE OF REVENUES, GAINS, AND OTHER SUPPORT - ASSOCIATION

JUNE 30, 2015

	Actual	Budget	Variance	Budget %
Revenues, Gain, and Other Support:				
Dues:				
District dues	\$ 4,195,085	\$ 4,193,926	\$ 1,159	100%
Intermediate unit dues	42,525	42,525	-	100%
Career and technical school dues	102,375	103,950	(1,575)	98%
Service associate membership	109,750	90,000	19,750	122%
Community college dues	39,900	39,900	-	100%
Total dues	4,489,635	4,470,301	19,334	100%
Publications:				
Subscriptions	140,805	208,000	(67,195)	68%
Advertising	63,972	110,000	(46,028)	58%
Publication sales	33,716	40,000	(6,284)	84%
Custom printing	22,631	30,000	(7,369)	75%
Other	2,744	6,000	(3,256)	0%
Total publications	263,868	394,000	(130,132)	67%
Program revenues:				
Annual conference	779,262	613,500	165,762	127%
Legislative advocacy conference	1,150	2,500	(1,350)	46%
Solutions conferences	-	116,700	(116,700)	0%
Board secretary conference	17,667	17,000	667	104%
School personnel seminars	16,719	15,000	1,719	111%
School board academy/seminars	80,841	171,000	(90,159)	47%
Policy services	805,882	693,250	112,632	116%
School personnel services	197,758	281,500	(83,742)	70%
Technology services	92,349	90,000	2,349	0%
Onsite workshops	6,800	35,000	(28,200)	19%
Legal services	16,559	25,500	(8,941)	65%
Solicitor's summer symposium	47,888	45,000	2,888	0%
Total program revenues	2,062,875	2,105,950	(43,075)	98%
Other revenue:				
Insurance trust	407,074	374,500	32,574	109%
Endorsement income	576,963	449,500	127,463	128%
Interest and investment income	28,517	28,000	517	102%
Plaques	865	2,500	(1,635)	0%
Other	18,959	5,000	13,959	379%
Total other revenue	1,032,378	859,500	172,878	120%
Total revenues, gains, and other support	\$ 7,848,756	\$ 7,829,751	\$ 19,005	100%

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

SUPPLEMENTARY SCHEDULE OF EXPENSES - ASSOCIATION

JUNE 30, 2015

	Actual	Budget	Variance	Budget %
Expenses:				
Program:				
Annual conference	\$ 563,914	\$ 476,500	\$ 87,414	118%
Legislative advocacy conference	10,407	17,000	(6,593)	61%
Solutions conferences	189	92,700	(92,511)	0%
Board secretary conference	11,668	15,500	(3,832)	75%
School personnel seminars	4,079	10,000	(5,921)	41%
School board academy/seminars	47,982	35,000	12,982	137%
Policy services	31,257	34,850	(3,593)	90%
Research services	8,219	53,000	(44,781)	16%
School personnel services	31,703	67,650	(35,947)	47%
Board development	8,779	8,900	(121)	99%
Customized workshops	1,063	-	1,063	0%
Legal services	27,416	29,800	(2,384)	92%
Solicitors summer symposium	38,184	30,000	8,184	127%
Total program	784,860	870,900	(86,040)	90%
General:				
Benefits	1,058,478	1,191,816	(133,338)	89%
Depreciation and amortization	487,123	502,600	(15,477)	97%
Consultants	14,870	20,000	(5,130)	74%
Interest mortgage	160,852	160,852	-	100%
Audit	23,074	25,000	(1,926)	92%
Legal	57,537	55,000	2,537	105%
Risk insurance	46,664	45,000	1,664	104%
Bank service charges	15,980	25,000	(9,020)	64%
Board of Directors	49,883	58,000	(8,117)	86%
Regional Directors Coordinating Council	12,991	15,000	(2,009)	87%
Committee Ad Hoc	3,746	-	3,746	0%
Public outreach campaign	13,237	-	13,237	0%
Special committee	21,643	25,500	(3,857)	85%
Regional activities	3,515	27,000	(23,485)	13%
Board department	(2,038)	6,000	(8,038)	-34%
NSBA convention	23,727	36,000	(12,273)	66%
NSBA northeast region	696	8,000	(7,304)	9%
NSBA dues	61,459	65,000	(3,541)	95%
FRN leadership	18,321	25,000	(6,679)	73%
Total general	2,071,758	2,290,768	(219,010)	90%
Administration:				
Salaries	1,072,271	979,418	92,853	109%
Administration general	142,435	83,890	58,545	170%
Information systems general	113,554	118,540	(4,986)	96%
Personnel and payroll general	8,247	2,600	5,647	317%
Business office general	30,545	21,942	8,603	0%
Building and grounds general	255,105	257,900	(2,795)	99%
Other	14,430	5,000	9,430	289%
Total administration	1,636,587	1,469,290	167,297	111%

(Continued)

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

SUPPLEMENTARY SCHEDULE OF EXPENSES - ASSOCIATION

JUNE 30, 2015

(Continued)

	Actual	Budget	Variance	Budget %
Expenses (continued):				
Publication and production:				
Salaries	315,833	373,317	(57,484)	85%
Outside printing	9,515	25,000	(15,485)	38%
Bulletin printing	46,431	85,000	(38,569)	55%
Publications general	35,721	62,450	(26,729)	57%
Paper	16,591	18,000	(1,409)	0%
Postage	43,199	48,000	(4,801)	0%
Production general	36,042	33,200	2,842	0%
Services transfer	(43,598)	(33,000)	(10,598)	0%
Total publication and production	459,734	611,967	(152,233)	75%
School board and management services:				
Board development salaries	212,929	303,582	(90,653)	70%
Policy salaries	558,795	452,319	106,476	124%
School personnel/services salaries	187,528	168,415	19,113	111%
Research salaries	177,976	191,209	(13,233)	93%
Total school board and management services	1,137,228	1,115,525	21,703	102%
Legal:				
Salaries	231,988	232,512	(524)	100%
Governmental and member relations:				
Salaries	473,515	446,175	27,340	106%
GMR general	121,832	90,100	31,732	135%
Total governmental and member relations	595,347	536,275	59,072	111%
Member services:				
Salaries	275,998	231,084	44,914	119%
General	12,666	16,470	(3,804)	77%
Total member services	288,664	247,554	41,110	117%
Member relations:				
Salaries	191,370	213,511	(22,141)	90%
General	33,217	33,100	117	100%
Total member relations	224,587	246,611	(22,024)	91%
Talent development:				
Salaries	67,619	59,572	8,047	114%
Professional development	45,540	58,500	(12,960)	78%
Total expenses	\$ 7,543,912	\$ 7,739,474	\$ (195,562)	97%
Change in Net Assets - Association	\$ 304,844	\$ 90,277	\$ 214,567	338%

(Concluded)