

**Pennsylvania School Boards  
Association, Inc.**

Consolidated Financial Statements and  
Supplementary Information

Year Ended June 30, 2016 with Independent  
Auditor's Report

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Pennsylvania School Boards Association, Inc. (Association) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the *Financial Reporting Framework for Small- and Medium-Sized Entities* issued by the American Institute of Certified Public Accountants as described in Note 1; this includes determining that the *Financial Reporting Framework for Small- and Medium-Sized Entities* is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with the *Financial Reporting Framework for Small- and Medium-Sized Entities*, described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared in accordance with the *Financial Reporting Framework for Small- and Medium-Sized Entities*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated financial statements.

*Maher Duessel*

Harrisburg, Pennsylvania  
January 31, 2017

**PENNSYLVANIA SCHOOL BOARDS  
ASSOCIATION, INC.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

JUNE 30, 2016

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 2,362,053
Investments	3,135,163
Accounts receivable	245,086
Inventories, materials, and supplies	9,312
Prepaid expenses	<u>129,841</u>
Total current assets	<u>5,881,455</u>
Property, plant, and equipment:	
Land	1,167,420
Building and improvements	7,159,036
Furniture and fixtures	840,978
Equipment, vehicles, and software	2,405,566
Accumulated depreciation	<u>(4,821,686)</u>
Total property, plant, and equipment	<u>6,751,314</u>
Other Assets	<u>36,838</u>
<b>Total Assets</b>	<u><u>\$ 12,669,607</u></u>

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

## Liabilities and Net Assets

### Liabilities:

#### Current liabilities:

Accounts payable	\$ 73,456
Accrued pension expense	138,790
Accrued payroll	170,834
Dues received in advance	1,034,567
Other revenues received in advance	774,806
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Total current liabilities	2,192,453
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Total Liabilities	2,192,453
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### Net Assets:

#### Unrestricted:

##### Undesignated:

Investment in property, plant, and equipment	6,721,199
Other undesignated	1,177,497

##### Board-designated:

Public outreach	59,229
Benefit stabilization	1,875,099
Building programs and improvements	459,069

Temporarily restricted	185,061
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Total Net Assets	10,477,154
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<b>Total Liabilities and Net Assets</b>	<b>\$ 12,669,607</b>
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# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gain, and Other Support:</b>			
Membership dues and fees	\$ 4,425,763	\$ -	\$ 4,425,763
Communications	231,393	-	231,393
Member services	2,325,985	-	2,325,985
Support services billings	3,080,228	-	3,080,228
Contributions revenue	136,486	185,061	321,547
Other revenues	924,959	-	924,959
Total revenues, gain, and other support	11,124,814	185,061	11,309,875
<b>Expenses:</b>			
Communications	534,787	-	534,787
Member services	2,808,555	-	2,808,555
Legal	312,470	-	312,470
Governmental affairs	840,435	-	840,435
General	1,610,705	-	1,610,705
Administrative	4,541,859	-	4,541,859
Special activities	68,254	-	68,254
Total expenses	10,717,065	-	10,717,065
<b>Change in Net Assets</b>	407,749	185,061	592,810
<b>Net Assets:</b>			
Beginning of year	9,884,344	-	9,884,344
End of year	\$10,292,093	\$ 185,061	\$10,477,154

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

# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

### **Cash Flows From Operating Activities:**

<u>Change in net assets</u>	\$ 592,810
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation and amortization	468,992
(Increase) decrease in:	
Accounts receivable	(105,474)
Accounts receivable - related party	565,578
Inventories, materials, and supplies	1,785
Prepaid expenses	(41,317)
Increase (decrease) in:	
Accounts payable	(2,656)
Accounts receivable - related party	
Accrued pension expense	2,023
Accrued longevity recognition	(83,868)
Accrued payroll	(242,724)
Dues received in advance	330,143
Other revenues received in advance	500,248
Net cash and cash equivalents provided by operating activities	1,985,540

### **Cash Flows From Investing Activities:**

<u>Payments for purchases of property, plant, and equipment</u>	(1,170,191)
Net sales (purchases) of investments	130,702
Net cash and cash equivalents used in investing activities	(1,039,489)

### **Cash Flows from Financing Activities:**

<u>Payments on mortgage payable, related party</u>	(3,487,601)
Net cash and cash equivalents used in financing activities	(3,487,601)
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(2,541,550)</b>

### **Cash and Cash Equivalents:**

<u>Beginning of year</u>	4,903,603
End of year	\$ 2,362,053

### **Supplemental Disclosure of Cash Flow Information:**

<u>Interest paid</u>	\$ 38,217
Income taxes paid	\$ 6,902

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

# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

### 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. As of January 1, 2014, the Governing Board (Board) consists of 12 members; 11 voting and one non-voting. The Board includes 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		
		2014	2015	2016
School Districts	500	498	499	499
Career and Technical	65	66	65	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 not increased for the year ended June 30, 2016. 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 CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

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### School Districts

School 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.

### Intermediate Units and Career and Technical Schools

\$1,575 flat base fee.

### 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.

### ***Basis of Accounting***

The accompanying consolidated financial statements have been prepared in accordance with the *Financial Reporting Framework for Small- and Medium-Sized Entities*, issued by the American Institute of Certified Public Accountants, which is a special purpose framework and not accounting principles generally accepted in the United States of America (GAAP). The accounting principles comprising the framework are appropriate for the preparation and presentation of small- and medium-sized entity financial statements, based on the needs of the financial statement users and cost and benefit considerations. The special purpose framework, unlike GAAP, does not require consolidation of entities in which an organization has an economic interest and a majority voting interest, but does not meet the definition of subsidiary.

### ***Principles of Consolidation***

Under the *Financial Reporting Framework for Small- and Medium-Sized Entities*, consolidated financial statements recognize that even though a parent and its subsidiary are separate legal entities, together they constitute a single economic unity. Such financial statements provide an appropriate basis for informing users of the parent's financial statements about the resources and results of operations of the parent and its subsidiaries as a

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# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

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group. All entities that meet the definition of subsidiary as defined by the *Financial Reporting Framework for Small- and Medium-Sized Entities* are consolidated.

The consolidated financial statements include the accounts of the Association, its wholly-owned subsidiary, School Board Services, LLC (SBS), and its supporting organization, the Pennsylvania Public Education Foundation (Foundation). 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.

The 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's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. There are no adjustments required to be made to the Foundation's financial statements in order to present them in conformity with the *Financial Reporting Framework for Small- and Medium-Sized Entities*.

The Pennsylvania School Boards Insurance Trust (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 administration of self-insurance programs to school districts, other Association members, other tax-supported entities, and employees and officials of such entities. The Trust is the sole shareholder of School Boards Insurance Company of Pennsylvania, Inc. (SBIC). In accordance with the *Financial Reporting Framework for Small- and Medium-Sized Entities*, the Trust is not considered to be a subsidiary of the Association and therefore will not be consolidated.

### *Use of Estimates*

The preparation of consolidated financial statements in conformity with the *Financial Reporting Framework for Small- and Medium-Sized Entities* 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.

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# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

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### ***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 dues 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 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, rental income, and amounts received related to providing various operating supplies, services, and facilities to the Trust, School Claims Services, LLC (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.

# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

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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 includes 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.

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

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# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

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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 buildings and improvements are depreciated over estimated useful lives ranging from three 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 year ended June 30, 2016 is \$468,992.

### *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.

In July 2016, the Association adopted a paid time off (PTO) program in which each employee will be eligible for an annual accrual of 22 days (165 hours) of paid time off.

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# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

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Employees will accrue PTO in hourly increments each bi-weekly pay period at a rate of .846 days (6.35 hours) per pay. PTO accruals will accrue on a rolling calendar basis. The maximum accrued PTO balance will be 22 days (165 hours). At the point that an employee's PTO has reached the maximum accrual level, future accruals will be suspended until the balance falls below the maximum accrual level. Accrued PTO will be paid upon separation of employment. Any sick leave that had accrued through June 30, 2016 will be placed in a Critical Illness Bank for use during a medical leave. Employees will be required to use available PTO prior to using leave in the Critical Illness Bank. Amounts held in the Critical Illness Bank will not be paid upon separation of employment.

### ***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 consolidated statement 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. The Association annually files a Form 990 and Form 990-T. The Association is subject to federal income tax on unrelated trade or business income. Unrelated trade or business income consists primarily of advertising income and conference facility rental income.

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 the statutory deposit requirements as incurred.

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# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

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### *Pending Accounting Standards Updates*

ASU 2014-09, “*Revenue from Contracts with Customers*,” is effective for the Association’s consolidated financial statements for the year ending June 30, 2020 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures.

ASU 2015-07, “*Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*,” effective for the Association’s consolidated financial statements for the year ending June 30, 2018. This amendment removes the requirement to categorized investments within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendment also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient.

ASU 2016-02, “*Leases (Topic 842)*,” effective for the Association’s consolidated financial statements for the year ending June 30, 2021. This amendment will require lessees to recognized assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2016-14, “*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*,” effective for the Association’s consolidated financial statements for the year ending June 30, 2019. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The amendment changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: governing body restrictions, composition of net assets with donor restrictions, qualitative and quantitative information on liquidity, methods to allocate costs among program and support functions, and underwater donor-restricted endowment.

Management has not yet determined the impact of these amendments on the Association’s consolidated financial statements.

**PENNSYLVANIA SCHOOL BOARDS  
ASSOCIATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, JUNE 30, 2016

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***Subsequent Events***

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

**2. INVESTMENTS**

The fair values of investments as of June 30, 2016 are as follows:

Money market funds	\$ 254,692
Certificates of deposit	2,880,471
	<u>\$ 3,135,163</u>

**Fair Value of Financial Instruments**

As of June 30, 2016, the Association's investments are all classified as Level 1 investments.

**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.

In conjunction with the July 1, 2016 conversion to the PTO program, as of June 30, 2016, accrued longevity amounts were either paid to the employees or transferred to the Critical Illness Bank.

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# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

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### **4. MORTGAGE PAYABLE, RELATED PARTY**

On November 16, 2004, the Association executed a mortgage note with the Trust, an unconsolidated 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. In September 2015, the Association paid off the mortgage.

Total interest paid for the year ended June 30, 2016 was \$38,217.

### **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 year ended June 30, 2016, \$68,255 was transferred from public outreach 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.

Changes and activity in undesignated, designated, and temporarily restricted net asset categories for the year ended June 30, 2016 are summarized as follows:

**PENNSYLVANIA SCHOOL BOARDS  
ASSOCIATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, JUNE 30, 2016

	Undesignated		Designated			Temporarily Restricted	Total
	Investment in Property, Plant, and Equipment	Other Undesignated	Public Outreach	Benefit Stabilization	Building Programs and Improvements		
Net assets at July 1, 2015	\$ 2,560,522	\$ 4,862,170	\$ 127,484	\$ 1,875,099	\$ 459,069	\$ -	\$ 9,884,344
Change in net assets	-	407,749	-	-	-	185,061	592,810
Net assets prior to allocations and transfers	2,560,522	5,269,919	127,484	1,875,099	459,069	185,061	10,477,154
Allocations and transfers							
Public outreach	-	68,255	(68,255)	-	-	-	-
Benefit stabilization allocation	-	-	-	-	-	-	-
Purchase of fixed assets	1,170,191	(1,170,191)	-	-	-	-	-
Asset disposals	(30,115)	30,115	-	-	-	-	-
Depreciation	(467,000)	467,000	-	-	-	-	-
Mortgage principal payments	3,487,601	(3,487,601)	-	-	-	-	-
Net assets at June 30, 2016	<u>\$ 6,721,199</u>	<u>\$ 1,177,497</u>	<u>\$ 59,229</u>	<u>\$ 1,875,099</u>	<u>\$ 459,069</u>	<u>\$ 185,061</u>	<u>\$ 10,477,154</u>
Percentage of total	<u>64.2%</u>	<u>11.2%</u>	<u>0.6%</u>	<u>17.9%</u>	<u>4.4%</u>	<u>1.8%</u>	<u>100.0%</u>

## 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.

# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

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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 director 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, 2015, PSERS funded percentage based on the accrued liability and actuarial value of assets is 60.6% 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 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.pfers.state.pa.us](http://www.pfers.state.pa.us).

### ***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

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# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

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five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For 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 for these members will never go below the base rate or above the highest percentage rate. The Association employee contributions to PSERS for the year ended June 30, 2016 were \$345,905.

#### Employer contributions:

The Board establishes contributions based on actuarially determined contributions recommended by an independent actuary. The Association's contractually required contribution rate for the year ended June 30, 2016 was 25.84% 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

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# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

15/16 was 25.00% and will remain at that rate until no longer needed. The Association's contributions to PSERS for the year ended June 30, 2016 were \$492,210, equal to the required contributions for the year. The Association's contributions to PSERS do not represent greater than five percent of total plan contributions for the year ended June 30, 2016.

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	
2017	30.03%	15.02%	\$ 611,758
2018	30.62%	15.31%	642,491
2019	31.56%	15.78%	682,081
2020	32.23%	16.12%	717,458
2021	32.02%	16.01%	734,167

The Association, through June 30, 2016, 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.

### *Payables to the Pension Plan*

Accrued pension expense at June 30, 2016 was \$138,790.

## 7. OPERATING LEASES

The Association has a multiple-year non-cancellable lease for black-and-white and color copiers. Under the lease contract, the Association paid \$18,497 quarterly with minimum monthly expenses of \$6,162. Overages were calculated on a yearly basis. The Association was charged \$0.0069 per copy with respect to black-and-white overages, while color overages were 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.

# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, JUNE 30, 2016

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In March 2016, the lease was renegotiated. Under the new lease agreement, the Association returned two copiers and paid \$15,799 quarterly with minimum monthly expenses of \$5,266. The Association is now charged \$0.0072 per copy with respect to black-and-white overages, while color overages are charged at \$0.0600 per copy. The term of the contract remained the same. Leased copier expense was \$72,156 for the year ended June 30, 2016.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 63,196
2018	63,196
2019	21,064
	<u>\$ 147,456</u>

### 8. RELATED PARTY TRANSACTIONS

On June 1, 2016, the Trust sold SBIC, SCS, and associated assets and liabilities of certain divested services of the Trust to Church Mutual Insurance Company of Merrill, Wisconsin. After the date of the sale, the Trust will continue to provide several insurance programs.

Through the date of the sale, the Association periodically incurred costs on behalf of the Trust, SCS, and SBIC for various operating supplies, services, and facilities. These costs are reflected on each entity's individual financial statements. The Association's June 30, 2016 consolidated financial statements include reimbursement for costs that are specifically allocated to the Trust related to space allocation and fees. Revenue of \$392,925 has been recognized on the Association's consolidated financial statements for the year ended June 30, 2016. The Association has entered into a license and royalty agreement with its related insurance entities that provided royalty revenue of \$291,667 during the year ended June 30, 2016. Royalty income is included in other income on the consolidated statement of activities.

At June 30, 2016, \$26,837 is due from the Foundation to the Association for contributions supporting various projects. This amount is eliminated in the consolidation.

**PENNSYLVANIA SCHOOL BOARDS  
ASSOCIATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, JUNE 30, 2016

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**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.

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, 2016 are as follows:

Program services	\$ 8,046,579
Management and general	2,668,585
Fundraising	<u>1,901</u>
Total expenses	<u><u>\$ 10,717,065</u></u>

**11. SUBSEQUENT EVENTS**

In October 2016, the Association entered into an agreement to provide on-line data analytics software to its members. The term of the agreement is 61 months. Under the terms of the agreement, the Association will pay a subscriber license fee of \$1,000,000. Over the first 13-month period, the Association will pay installments as follows: 1) \$150,000 to be paid by January 1, 2017; 2) \$100,000 to be paid when 125 members are using the software; 3) \$150,000 to be paid when 175 members are using the software; and 4) \$100,000 when 225 members are using the software. Over the 12-month period following the first 13-month period, the Association will pay installments as follows: 1) \$200,000 to be paid by November 1, 2017; 2) \$100,000 to be paid when 250 members are using the software; 3) \$100,000 when 275 members are using the software; 4) \$100,000 when 300 members are using the software.

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**PENNSYLVANIA SCHOOL BOARDS  
ASSOCIATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, JUNE 30, 2016**

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If 300 members are using the software by November 1, 2017, the entire annual subscriber fee will be due in two installments of \$250,000 on November 1, 2017 and January 1, 2018.

Subsequent to October 31, 2018, the counter-party to the agreement will pay the Association a marketing fee of six percent of all revenue received from members for the remainder of the term of the agreement. The agreement may be terminated after the first 25 months by either party providing 90 days' prior written notice.

## **Supplementary Information**

**PENNSYLVANIA SCHOOL BOARDS  
ASSOCIATION, INC.**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

<u>Assets</u>	<u>Pennsylvania School Boards Association</u>	<u>School Board Services, LLC</u>	<u>Pennsylvania Public Education Foundation</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Current assets:					
Cash and cash equivalents	\$ 2,136,199	\$ -	\$ 225,854	\$ -	\$ 2,362,053
Investments	3,135,163	-	-	-	3,135,163
Accounts receivable	244,846	-	240	-	245,086
Accounts receivable - related parties	21,837	-	5,000	(26,837)	-
Inventories, materials, and supplies	9,312	-	-	-	9,312
Prepaid expenses	129,841	-	-	-	129,841
Total current assets	<u>5,677,198</u>	<u>-</u>	<u>231,094</u>	<u>(26,837)</u>	<u>5,881,455</u>
Property, plant, and equipment:					
Land	1,167,420	-	-	-	1,167,420
Building and improvements	7,159,036	-	-	-	7,159,036
Furniture and fixtures	840,978	-	-	-	840,978
Equipment, vehicles, and software	2,405,566	-	-	-	2,405,566
Accumulated depreciation	(4,821,686)	-	-	-	(4,821,686)
Total property, plant, and equipment	<u>6,751,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,751,314</u>
Other assets	<u>36,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,838</u>
<b>Total Assets</b>	<u><u>\$ 12,465,350</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 231,094</u></u>	<u><u>\$ (26,837)</u></u>	<u><u>\$ 12,669,607</u></u>

	Pennsylvania School Boards Association	School Board Services, LLC	Pennsylvania Public Education Foundation	Eliminations	Consolidated Total
<b>Liabilities and Net Assets</b>					
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 66,667	\$ -	\$ 6,789	\$ -	\$ 73,456
Accounts payable - related parties	5,000	-	21,837	(26,837)	-
Accrued pension expense	138,790	-	-	-	138,790
Accrued payroll	170,834	-	-	-	170,834
Dues received in advance	1,034,567	-	-	-	1,034,567
Other revenues received in advance	774,806	-	-	-	774,806
Total current liabilities	2,190,664	-	28,626	(26,837)	2,192,453
Total Liabilities	2,190,664	-	28,626	(26,837)	2,192,453
<b>Net Assets:</b>					
Unrestricted:					
Undesignated:					
Investment in property, plant, and equipment	6,721,199	-	-	-	6,721,199
Other undesignated	1,160,090	-	17,407	-	1,177,497
Board-designated:					
Public outreach	59,229	-	-	-	59,229
Benefit stabilization	1,875,099	-	-	-	1,875,099
Building programs and improvements	459,069	-	-	-	459,069
Temporarily restricted	-	-	185,061	-	185,061
Total Net Assets	10,274,686	-	202,468	-	10,477,154
<b>Total Liabilities and Net Assets</b>	<b>\$ 12,465,350</b>	<b>\$ -</b>	<b>\$ 231,094</b>	<b>\$ (26,837)</b>	<b>\$ 12,669,607</b>

**PENNSYLVANIA SCHOOL BOARDS  
ASSOCIATION, INC.**

**CONSOLIDATING STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2016

	Pennsylvania School Boards Association		Pennsylvania Public Education Foundation			Eliminations	Consolidated Totals		
	School Board Services, LLC						Temporarily		
	Unrestricted	Unrestricted	Unrestricted	Restricted	Total	Unrestricted	Unrestricted	Restricted	Total
<b>Revenues, Gains, and Other Support:</b>									
Membership dues and fees	\$ 4,425,763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,425,763	\$ -	\$ 4,425,763
Communications	231,393	-	-	-	-	-	231,393	-	231,393
Member services	2,325,985	-	-	-	-	-	2,325,985	-	2,325,985
Support services billings	-	3,080,228	-	-	-	-	3,080,228	-	3,080,228
Contribution revenue	-	-	136,486	185,061	321,547	-	136,486	185,061	321,547
Other revenue	924,099	-	860	-	860	-	924,959	-	924,959
Contribution revenue - related party	118,369	-	-	-	-	(118,369)	-	-	-
Total revenues, gains, and other support	8,025,609	3,080,228	137,346	185,061	322,407	(118,369)	11,124,814	185,061	11,309,875
<b>Expenses:</b>									
Communications	534,787	-	-	-	-	-	534,787	-	534,787
Member services	2,789,578	-	137,346	-	137,346	(118,369)	2,808,555	-	2,808,555
Legal	312,470	-	-	-	-	-	312,470	-	312,470
Governmental affairs	840,435	-	-	-	-	-	840,435	-	840,435
General	977,388	633,317	-	-	-	-	1,610,705	-	1,610,705
Administration	2,094,948	2,446,911	-	-	-	-	4,541,859	-	4,541,859
Special activities	68,254	-	-	-	-	-	68,254	-	68,254
Total expenses	7,617,860	3,080,228	137,346	-	137,346	(118,369)	10,717,065	-	10,717,065
<b>Change in Net Assets</b>	407,749	-	-	185,061	185,061	-	407,749	185,061	592,810
<b>Net Assets:</b>									
Beginning of year	9,866,937	-	17,407	-	17,407	-	9,884,344	-	9,884,344
End of year	\$ 10,274,686	\$ -	\$ 17,407	\$ 185,061	\$ 202,468	\$ -	\$ 10,292,093	\$ 185,061	\$ 10,477,154

# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

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

JUNE 30, 2016

	Actual	Budget	Variance	Budget %
<b>Revenues, Gains, and Other Support:</b>				
Member dues and fees:				
District dues	\$ 4,137,543	\$ 4,182,100	\$ (44,557)	99%
Intermediate unit dues	42,525	42,525	-	100%
Career and technical school dues	102,375	102,375	-	100%
Service associate membership	103,420	166,000	(62,580)	62%
Community college dues	39,900	39,900	-	100%
Total dues	<u>4,425,763</u>	<u>4,532,900</u>	<u>(107,137)</u>	<u>98%</u>
Communications:				
Subscriptions	133,125	191,000	(57,875)	70%
Advertising	58,009	66,000	(7,991)	88%
Publication sales	24,081	25,000	(919)	96%
Custom printing	13,235	27,000	(13,765)	49%
Other	2,943	3,000	(57)	98%
Total communications	<u>231,393</u>	<u>312,000</u>	<u>(80,607)</u>	<u>74%</u>
Member services:				
Education and Training				
Annual conference	770,731	671,000	99,731	115%
School solicitor's symposium	55,030	49,500	5,530	111%
Leadership advocacy symposium	1,325	3,000	(1,675)	44%
Board secretary and affiliates conference	19,353	22,000	(2,647)	88%
School board academy/seminars	286,882	382,550	(95,668)	75%
Onsite workshops	72,650	-	72,650	0%
Policy services	943,524	805,800	137,724	117%
School personnel services	176,490	122,000	54,490	145%
Legal services	-	16,000	(16,000)	0%
Total member services	<u>2,325,985</u>	<u>2,071,850</u>	<u>254,135</u>	<u>112%</u>
Other revenue:				
Insurance trust	392,925	389,580	3,345	101%
Interest and investment income	23,284	15,250	8,034	153%
Sponsorship/endorsement income	469,648	448,250	21,398	105%
Other	38,242	6,000	32,242	637%
Total other revenue	<u>924,099</u>	<u>859,080</u>	<u>65,019</u>	<u>108%</u>
Special activities:				
Public outreach campaign	-	50,000	(50,000)	0%
Contribution revenue:				
Contribution revenue - related party	<u>118,369</u>	<u>143,080</u>	<u>(24,711)</u>	<u>83%</u>
Total revenues, gains, and other support	<u><u>\$ 8,025,609</u></u>	<u><u>\$ 7,968,910</u></u>	<u><u>\$ 56,699</u></u>	<u><u>101%</u></u>

# PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.

## SUPPLEMENTARY SCHEDULE OF EXPENSES - ASSOCIATION

JUNE 30, 2016

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Budget %</u>
<b>Expenses:</b>				
<u>Communications:</u>				
Salaries and benefits	423,702	440,873	(17,171)	96%
Outside printing	19,412	13,500	5,912	144%
Bulletin printing	55,236	40,000	15,236	138%
Communications general	36,437	52,400	(15,963)	70%
Total communications expense	<u>534,787</u>	<u>546,773</u>	<u>(11,986)</u>	<u>98%</u>
<u>Member services:</u>				
<u>Education and Training</u>				
Board development	\$ 7,233	\$ 4,500	\$ 2,733	161%
Annual conference	514,324	536,250	(21,926)	96%
School solicitors' symposium	23,874	27,800	(3,926)	86%
Legislative advocacy conference	9,095	15,000	(5,905)	61%
Board secretary and affiliates conference	9,156	13,750	(4,594)	67%
School board academy/seminars	86,537	143,000	(56,463)	61%
Onsite workshops	1,680	-	1,680	0%
ESSA study workgroup	45,132	-	45,132	0%
Policy services	75,318	98,750	(23,432)	76%
School personnel services	47,065	61,904	(14,839)	76%
Legal services	23,465	30,250	(6,785)	78%
Member services	18,376	19,900	(1,524)	92%
<u>Salaries and benefits</u>				
Member services	461,488	439,936	21,552	105%
Education and training	270,577	293,780	(23,203)	92%
Policy services	689,171	652,837	36,334	106%
School services	507,087	490,927	16,160	103%
Total member services	<u>2,789,578</u>	<u>2,828,584</u>	<u>(39,006)</u>	<u>99%</u>
<u>Legal:</u>				
Salaries	312,470	305,192	7,278	102%
<u>Governmental affairs:</u>				
Salaries	702,916	733,651	(30,735)	96%
GMR general	137,519	148,970	(11,451)	92%
Total governmental affairs	<u>840,435</u>	<u>882,621</u>	<u>(42,186)</u>	<u>95%</u>
<u>General:</u>				
Benefits expense	(3,853)	(2,893)	(960)	133%
Depreciation and amortization	468,992	557,500	(88,508)	84%
Consultants	78,091	20,000	58,091	390%
Interest mortgage	38,217	-	38,217	0%
Audit	24,391	50,000	(25,609)	49%
Legal	96,516	57,000	39,516	169%
Income taxes	6,902	11,000	(4,098)	63%
Bank service charges	18,293	20,000	(1,707)	91%
Risk insurance	51,930	50,000	1,930	104%
Governance boards	56,685	81,100	(24,415)	70%
Special committee	24,163	28,150	(3,987)	86%
Delegate assembly and business meeting	8,371	12,000	(3,629)	70%
Regional activities	2,783	27,000	(24,217)	10%

(Continued)

**PENNSYLVANIA SCHOOL BOARDS  
ASSOCIATION, INC.**

**SUPPLEMENTARY SCHEDULE OF EXPENSES - ASSOCIATION**

JUNE 30, 2016  
(Continued)

	Actual	Budget	Variance	Budget %
<b>Expenses (continued):</b>				
General (continued):				
Board department	9,124	5,750	3,374	159%
NSBA convention	13,194	39,000	(25,806)	34%
NSBA northeast region	591	6,000	(5,409)	10%
NSBA dues	66,830	32,500	34,330	206%
FRN leadership	16,168	23,000	(6,832)	70%
Total general	<u>977,388</u>	<u>1,017,107</u>	<u>(39,719)</u>	<u>96%</u>
Administrative:				
Executive director's office salaries and benefits	338,707	365,619	(26,912)	93%
Executive director's office expenses	62,734	66,220	(3,486)	95%
Business development salaries and benefits	189,206	180,990	8,216	105%
Business development expenses	9,710	14,125	(4,415)	69%
Operations and finance salaries and benefits	498,906	545,924	(47,018)	91%
Operations and finance expenses	15,743	19,010	(3,267)	83%
Business office expenses	34,204	23,780	10,424	144%
Building and grounds general	244,625	240,918	3,707	102%
Office service center general	64,089	56,650	7,439	113%
Information technology salaries and benefits	312,680	321,548	(8,868)	97%
Information technology expenses	121,935	116,005	5,930	105%
Talent development salaries and benefits	127,512	153,502	(25,990)	83%
Talent development expenses	23,948	18,005	5,943	133%
Professional development	50,949	78,500	(27,551)	65%
Total administrative	<u>2,094,948</u>	<u>2,200,796</u>	<u>(105,848)</u>	<u>95%</u>
Special activities				
Public outreach campaign	68,254	281,000	(212,746)	24%
Total expenses	<u>\$ 7,617,860</u>	<u>\$ 8,062,073</u>	<u>\$ (444,213)</u>	<u>94%</u>
<b>Change in Net Assets - Association</b>	<u>\$ 407,749</u>	<u>\$ (93,163)</u>	<u>\$ 500,912</u>	<u>-438%</u>

(Concluded)