

**ASSOCIATION OF SCHOOL BUSINESS
OFFICIALS INTERNATIONAL**

FINANCIAL STATEMENTS

MARCH 31, 2018

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2018 AND 2017

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Association of School Business Officials International

We have audited the accompanying financial statements of the Association of School Business Officials International (the Association), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association of School Business Officials International as of March 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Calibre CPA Group, PLLC

Bethesda, MD
September 28, 2018

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,404,956	\$ 1,209,473
Investments	1,598,191	1,849,169
Account receivable (net of allowance for doubtful accounts of \$5,000 in both 2018 and 2017)	377,179	419,684
Prepaid expenses and other	39,005	5,923
Total current assets	4,419,331	3,484,249
NET PROPERTY AND EQUIPMENT		
Land	-	231,818
Building and improvements	16,314	984,523
Computer equipment	131,341	737,301
Office furniture and equipment	161,731	158,563
	309,386	2,112,205
Less: accumulated depreciation	(238,410)	(1,751,297)
Net property and equipment	70,976	360,908
Total assets	\$ 4,490,307	\$ 3,845,157
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 123,932	\$ 180,116
Accrued expenses and other liabilities	112,560	106,430
Deferred membership and other revenue	1,816,132	1,717,221
Total current liabilities	2,052,624	2,003,767
UNRESTRICTED NET ASSETS	2,437,683	1,841,390
Total liabilities and net assets	\$ 4,490,307	\$ 3,845,157

See accompanying notes to financial statements.

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2018 AND 2017

	2018	2017
REVENUE AND SUPPORT		
General and administrative	\$ 1,770,524	\$ 1,542,061
Governance	255	70
Membership	887,685	907,038
Certification	130,235	137,157
Programs	136,770	175,860
Leadership conference	163,318	167,019
Meritorious budget awards	171,805	173,620
Certificate of excellence	657,540	654,535
Continuing education	20,000	20,000
Annual meeting	669,569	566,233
Exhibits	299,660	342,850
Periodicals	299,081	326,819
Books and publications	43,917	45,833
Total revenue and support	5,250,359	5,059,095
EXPENSES		
Program expenses		
Government and public affairs	119,477	120,410
Membership	346,072	328,560
Certification	63,697	50,818
Professional development	514,905	570,637
Leadership conference	362,941	293,831
Research committees	16,784	1,755
Affiliate visitation	185,483	160,621
Meritorious budget awards	147,903	116,946
Certificate of excellence	299,985	254,943
Continuing education	62,685	72,567
Annual meeting	776,043	829,085
Exhibits	164,014	201,121
Periodicals	540,997	587,445
Books and publications	41,072	44,386
Total program expenses	3,642,058	3,633,125
Supporting services and governance		
General and administrative	1,013,518	926,864
Governance	335,839	283,894
Building operations	136,998	113,171
Total supporting services and governance	1,486,355	1,323,929
Total expenses	5,128,413	4,957,054
CHANGE IN NET ASSETS BEFORE SALE OF BUILDING	121,946	102,041
GAIN ON SALE OF BUILDING	474,347	-
CHANGE IN NET ASSETS	596,293	102,041
UNRESTRICTED NET ASSETS		
Beginning of year	1,841,390	1,739,349
End of year	\$ 2,437,683	\$ 1,841,390

See accompanying notes to financial statements.

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 596,293	\$ 102,041
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes not affecting cash		
Net depreciation fair value of investments	980	898
Gain on sale of building	(474,347)	-
Depreciation	56,897	65,373
Effect of changes in assets and liabilities		
Net accounts receivable	42,505	(232,947)
Prepaid expenses and other	(33,082)	28,371
Account payables, accrued expenses and other liabilities	(50,054)	(24,418)
Deferred membership and other revenue	98,911	275,525
Net cash provided by operating activities	238,103	214,843
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(70,381)	(48,714)
Purchases of investments	(2,509,994)	(1,849,992)
Proceeds from the sale of building	777,763	-
Proceeds from the sale of investments	2,759,992	424,910
Net cash provided by (used for) investing activities	957,380	(1,473,796)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,195,483	(1,258,953)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,209,473	2,468,426
End of year	\$ 2,404,956	\$ 1,209,473

See accompanying notes to financial statements.

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2018 AND 2017

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

Organization - Association of School Business Officials International (the Association) is an association of individuals involved in the management of school business services who are dedicated to the professional stewardship of the investment in education.

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statement presentation follows the standards for financial statements of not-for-profit organizations as recommended by the Financial Accounting Standards Board (FASB). Under such standards, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Net Asset Classification - The net assets are reported as follows:

- **Unrestricted net assets** - includes unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Association and include both internally-designated and undesignated resources.

The Association has no temporary or permanently restricted net assets.

Revenue Recognition - Revenue is recognized during the period in which it is earned. Revenue received in advance and not yet earned is deferred to the applicable period.

Membership Dues and Agency Fees - The payment of regular dues entitles an individual to membership privileges in the Association for a twelve-month period. Dues received are initially recorded as deferred revenue. Such dues are recognized as revenue on a straight-line method over a twelve-month period from the member's anniversary date.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Association considers all amounts available for immediate withdrawal from bank accounts, money market funds and certificates of deposit with an initial maturity of 90 days or less as cash and cash equivalents.

Investments - The investment balance consists of several certificates of deposit with maturity dates greater than 90 days or those certificates of deposit which management intends to hold long-term and are reported at fair market value on the statements of financial position. Those with maturities greater than one year are classified as long-term. There were no long-term investments at March 31, 2018 or 2017. Interest income for the years ended March 31, 2018 and 2017 totaled \$20,062 and \$9,255, respectively. For the years ended March 31, 2018 and 2017, the Association had net depreciation of investments of \$(980) and \$(898). There were no realized losses on investments recognized for the years ended March 31, 2018 and 2017.

Accounts Receivable - The Association grants credit terms in the normal course of business to members, subscribers, exhibitors and other customers throughout the United States.

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts.

Allowances for doubtful accounts on trade accounts receivables is made in amounts required to maintain an adequate allowance to cover anticipated bad debts. Trade receivables are charged against the allowance when it is determined by the Association that payment will not be received. At year-end, the allowance is evaluated by management based on review of the accounts receivables.

Property and Equipment - Significant additions to property and equipment are capitalized on the basis of cost. Depreciation is calculated on the straight-line method. The headquarters building was being depreciated over a 33-year useful life, with improvements depreciated over a 10-year life, until its sale in February 2018. Office furniture and equipment are being depreciated over 5 years. Computer equipment is being depreciated over 3 to 7 years. Depreciation expense for the years ended March 31, 2018 and 2017 totaled \$56,897 and \$65,373, respectively.

Deferred Exhibitor Fees - Annual meeting exhibit fees received in advance are recorded as deferred revenue and recognized as revenue in the fiscal year the meeting is held.

Income Taxes - The Association is exempt from income tax under Section 501(c)(3) for the Internal Revenue Code. However, income from certain activities, not related to the Association's exempt purpose is subject to taxation as unrelated business income.

The Association adheres to provisions of U.S. generally accepted accounting principles regarding accounting for uncertainty in income taxes. The Association periodically reviews its tax position and recognizes asset or liabilities as necessary. This adoption had no effect on currently reported balances. As of March 31, 2018, the statute of limitations for tax years 2014 through 2016 remains open with the U.S. federal jurisdiction and the various states and local jurisdictions in which the Association files returns.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs - The Association expenses advertising costs as incurred.

Reclassifications - Certain amounts in the March 31, 2017 financial statements have been reclassified for comparative purposes to conform to the March 31, 2018 presentation. This includes a reclassification of certain expenses from the membership program to the affiliate visitation program. Additionally, further reclassifications have been made to report all governance related expenditures separately from general and administrative expenditures.

NOTE 3. INVESTMENTS

The Association held as investments certificates of deposits totaling \$1,598,191 and \$1,849,169 as of March 31, 2018 and 2017, respectively, which are reported at fair value.

Fair value measurements establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are inputs that the market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect the Association's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is measured in three levels based on the reliability of inputs:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private portfolio investments that are supported by little or no market activity.

The Association's investments are certificates of deposit and are considered Level 2 investments. At March 31, 2018 and 2017, the value of the Association's investments are as follows:

	2018	2017
Certificates of deposit	<u>\$ 1,598,191</u>	<u>\$ 1,849,169</u>

The certificates of deposit are reported at original cost plus accrued interest which approximate fair value.

NOTE 4. RETIREMENT PLAN

A tax deferred annuity is available to each full time employee who has completed one year of employment. Except for the Executive Director, for who employer contributions are stipulated in the employment contract (Note 7), the employer contributions are equal to 6% of gross compensation for the years ended March 31, 2018 and 2017. Employer contributions for the years ended March 31, 2018 and 2017 were \$85,474 and \$72,668, respectively.

NOTE 5. SALE OF BUILDING

Effective February 28, 2018, the Association entered into an agreement to sell the Association's headquarters building. The gross contracted sales price as a result of the sales agreement amounted to \$935,000. The net gain on the sale of the building, after related expenses incurred with the sale of the building, as well as the write-off of the remaining book value of the property amounted to \$474,347 and is reflected in these financial statements.

Congruent with the sale of the building, the Association entered into a six-month rental lease with the purchaser to lease back the headquarters space to the Association at a rate of \$6,000 per month.

NOTE 6. LEASE OBLIGATIONS

The Association leases equipment and pays maintenance fees under various non-cancelable long-term agreements expiring through 2022. In addition, the Association entered into a short term lease agreement for headquarters building through July 2018.

Rent expense for the years ended March 31, 2018 and 2017 was \$41,982 and \$24,649, respectively.

As of March 31, 2018, future minimum lease commitments are as follows:

Year ending March 31,	
2019	\$ 55,461
2020	27,881
2021	23,796
2022	<u>15,864</u>
Total	<u>\$ 123,002</u>

NOTE 7. COMMITMENTS

The Association has an employment contract with its Executive Director which expires March 31, 2021. In accordance with the employment contract, the Executive Director is entitled to employer contributions to the Association's retirement plan equal to 10% of gross compensation effective for the fiscal year ended March 31, 2014 and for subsequent years until the end of the contract. The contract contains a clause that if the contract is terminated by the Association without cause, the Executive Director would be paid compensation for the greater of the term left on the contract or six months, plus one month for every year of service up to twelve months.

NOTE 8. SUBSEQUENT EVENTS

Effective July 25, 2018, the Association entered in an agreement to purchase a new building to re-locate their headquarters at a gross contract price of \$1,758,630. The executed promissory note to fund the purchase calls for a total principal amount of \$1,100,000 to be repaid over 180 months at a fixed interest rate of 4.58% per annum.

Subsequent events have been evaluated through September 28, 2018, which is the date the financial statements were available to be issued. Aside from discussed above, this review and evaluation revealed no new material events or transactions which would require an additional adjustment to or disclosure in the accompanying financial statements.

SUPPLEMENTAL INFORMATION

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

COMBINED SCHEDULE OF ACTIVITIES

YEAR ENDED MARCH 31, 2018

	General and Administrative	Governance	Building Operations	Government and Public Affairs	Membership	Certification	Professional Development	Leadership Conference	Research Committees	Affiliate Visitation	Meritorious Budget Awards	Certificate of Excellence	Continuing Education	Annual Meeting	Exhibits	Periodicals	Books Publication	Total
REVENUE AND SUPPORT																		
Member dues	\$ -	\$ -	\$ -	\$ -	\$ 878,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 878,021
Registration	-	-	-	-	-	80,235	24,670	106,985	-	-	151,805	637,540	-	591,070	-	-	-	1,592,305
Meeting revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	276,410	-	-	276,410
Miscellaneous income	2,356	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,356
Advertising income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	289,081	-	289,081
Book sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,917	43,917
Royalties and commissions	1,031,253	-	-	-	9,664	-	-	-	-	-	-	-	-	-	-	-	-	1,040,917
Corporate marketing	717,833	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	717,833
Contributions	-	255	-	-	-	50,000	112,100	56,333	-	-	20,000	20,000	20,000	78,499	23,250	10,000	-	390,437
Interest/investment income	19,082	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,082
Total revenue and support	1,770,524	255	-	-	887,685	130,235	136,770	163,318	-	-	171,805	657,540	20,000	669,569	299,660	299,081	43,917	5,250,359
EXPENSES																		
Salaries	303,233	97,117	-	54,829	236,126	-	288,202	148,748	9,529	112,050	71,350	61,335	29,035	221,798	21,822	136,948	-	1,792,122
Benefits and payroll taxes	84,597	20,857	-	16,170	58,152	-	71,639	39,111	2,275	26,456	16,261	20,047	7,536	52,558	4,462	39,483	-	459,604
Printing and production	3,097	-	-	243	8,590	5,643	1,370	3,032	49	-	709	624	313	17,722	640	121,394	-	163,426
Communications	49,913	399	-	-	16,049	4,314	552	4,774	-	609	1,141	554	23	3,045	23	30,923	5	112,324
Depreciation	30,843	-	26,054	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,897
Travel	17,533	159,256	-	17,072	252	1,474	35,181	19,052	1,934	42,998	-	2,575	-	29,141	-	849	-	327,317
Supplies	15,083	5,812	-	26	-	19,758	3,361	771	-	1,737	5,185	40,180	-	13,445	418	120	-	105,896
Repairs and maintenance	-	-	15,329	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,329
Building services	-	-	54,353	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,353
Professional services and contract services	435,901	36,637	4,753	12,503	10,874	31,151	61,177	-	-	-	52,750	173,625	25,778	48,840	24,783	201,459	-	1,120,231
Rental and lease expense	1,397	-	24,871	-	15,714	-	-	-	-	-	-	-	-	-	-	-	-	41,982
Bank charges and taxes	1,343	-	11,638	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,981
Fees, contributions and subscriptions	25,198	447	-	18,634	315	-	28,080	-	-	550	-	-	-	-	1,500	9,821	41,067	125,612
Meeting expenses	40,193	14,778	-	-	-	1,357	25,343	147,453	2,997	1,083	507	1,045	-	389,494	110,366	-	-	734,616
Miscellaneous expense	5,187	536	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,723
Total expenses	1,013,518	335,839	136,998	119,477	346,072	63,697	514,905	362,941	16,784	185,483	147,903	299,985	62,685	776,043	164,014	540,997	41,072	5,128,413
CHANGES IN NET ASSETS BEFORE SALE OF BUILDING	757,006	(335,584)	(136,998)	(119,477)	541,613	66,538	(378,135)	(199,623)	(16,784)	(185,483)	23,902	357,555	(42,685)	(106,474)	135,646	(241,916)	2,845	121,946
GAIN ON SALE OF BUILDING	474,347	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	474,347
CHANGE IN NET ASSETS	\$ 1,231,353	\$ (335,584)	\$ (136,998)	\$ (119,477)	\$ 541,613	\$ 66,538	\$ (378,135)	\$ (199,623)	\$ (16,784)	\$ (185,483)	\$ 23,902	\$ 357,555	\$ (42,685)	\$ (106,474)	\$ 135,646	\$ (241,916)	\$ 2,845	\$ 596,293