

**ASSOCIATION OF SCHOOL BUSINESS
OFFICIALS INTERNATIONAL**

FINANCIAL STATEMENTS

MARCH 31, 2017

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 10 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
July 27, 2017

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,209,473	\$ 2,468,426
Investments	1,849,169	424,985
Account receivable (net of allowance for doubtful accounts of \$5,000 in both 2016 and 2015)	419,684	186,737
Prepaid expenses and other	<u>5,923</u>	<u>34,294</u>
Total current assets	<u>3,484,249</u>	<u>3,114,442</u>
NET PROPERTY AND EQUIPMENT		
Land	231,818	231,818
Building and improvements	984,523	965,703
Computer equipment	737,301	708,832
Office furniture and equipment	<u>158,563</u>	<u>157,138</u>
	2,112,205	2,063,491
Less: accumulated depreciation	<u>(1,751,297)</u>	<u>(1,685,924)</u>
Net property and equipment	<u>360,908</u>	<u>377,567</u>
Total assets	<u>\$ 3,845,157</u>	<u>\$ 3,492,009</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 180,116	\$ 176,386
Accrued expenses and other liabilities	106,430	103,436
Deferred membership and other revenue	1,717,221	1,441,696
Other	<u>-</u>	<u>31,142</u>
Total current liabilities	2,003,767	1,752,660
UNRESTRICTED NET ASSETS	<u>1,841,390</u>	<u>1,739,349</u>
Total liabilities and net assets	<u>\$ 3,845,157</u>	<u>\$ 3,492,009</u>

See accompanying notes to financial statements.

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2017 AND 2016

	2017	2016
REVENUE AND SUPPORT		
Governance and administration	\$ 1,542,061	\$ 1,435,738
Board of Directors	70	100
Membership	907,038	907,092
Certification	137,157	133,466
Programs	175,860	202,610
Leadership conference	167,019	168,285
Meritorious budget awards	173,620	168,695
Certificate of excellence	654,535	656,450
Continuing education	20,000	20,000
Annual meeting	566,233	601,498
Exhibits	342,850	328,175
Periodicals	326,819	333,211
Books and publications	45,833	49,920
Total revenue and support	<u>5,059,095</u>	<u>5,005,240</u>
EXPENSES		
Program expenses		
Government and public affairs	120,410	121,289
Membership	448,265	463,790
Certification	50,818	160,644
Professional development	570,637	517,451
Leadership conference	293,831	275,752
Research committees	1,755	33,436
Affiliate visitation	40,916	31,032
Meritorious budget awards	116,946	74,527
Certificate of excellence	254,943	265,388
Grants and contracts	-	2,452
Continuing education	72,567	188,603
Annual meeting	829,085	762,649
Exhibits	201,121	206,596
Periodicals	587,445	623,886
Books and publications	44,386	47,752
Total program expenses	<u>3,633,125</u>	<u>3,775,247</u>
Supporting services and governance		
Governance and administration	1,070,863	957,393
Board of Directors	139,895	136,690
Building operations	113,171	112,864
Total supporting services and governance	<u>1,323,929</u>	<u>1,206,947</u>
Total expenses	<u>4,957,054</u>	<u>4,982,194</u>
CHANGE IN NET ASSETS	102,041	23,046
UNRESTRICTED NET ASSETS		
Beginning of year	<u>1,739,349</u>	<u>1,716,303</u>
End of year	<u>\$ 1,841,390</u>	<u>\$ 1,739,349</u>

See accompanying notes to financial statements.

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 102,041	\$ 23,046
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Charges not affecting cash		
Net depreciation fair value of investments	898	577
Depreciation	65,373	75,936
Effect of changes in assets and liabilities		
Net accounts receivable	(232,947)	121,528
Prepaid expenses and other	28,371	21,021
Account payables, accrued expenses and other liabilities	(24,418)	167,671
Deferred membership and other revenue	<u>275,525</u>	<u>(49,154)</u>
Net cash provided by operating activities	<u>214,843</u>	<u>360,625</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(48,714)	(5,468)
Purchases of investments	(1,849,992)	(1,347,000)
Proceeds from the sale of investments	<u>424,910</u>	<u>1,272,090</u>
Net cash used for investing activities	<u>(1,473,796)</u>	<u>(80,378)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,258,953)	280,247
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,468,426</u>	<u>2,188,179</u>
End of year	<u><u>\$ 1,209,473</u></u>	<u><u>\$ 2,468,426</u></u>

See accompanying notes to financial statements.

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

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 (US GAAP). The financial statement presentation follows the standards for financial statements of not-for-profit organizations as recommended by the Financial Accounting Standards Board. 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.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Association considers all money market funds and certificates of deposit with an initial maturity of 90 days or less as cash equivalents.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 or 2016. Interest income for the years ended March 31, 2017 and 2016 totaled \$9,255 and \$4,784, respectively. For the years ended March 31, 2017 and 2016, the Association had net appreciation (depreciation) of investments of \$(898) and \$(577). There were no realized losses on investments recognized for the years ended March 31, 2017 and 2016.

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 is being depreciated over a 33-year useful life, with improvements depreciated over a 10-year life. 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, 2017 and 2016 totaled \$65,373 and \$75,936, 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, 2017, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdiction and the various states and local jurisdictions in which the Association files returns.

Advertising Costs - The Association expenses advertising costs as incurred.

NOTE 3. INVESTMENTS

The Association held as investments certificates of deposits totaling \$1,849,169 and \$424,985 as of March 31, 2017 and 2016, 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, 2017 and 2016, the value of the Association's investments are as follows:

	2017	2016
Certificates of deposit	<u>\$ 1,849,169</u>	<u>\$ 424,985</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 6), the employer contributions are equal to 6% of gross compensation for the years ended March 31, 2017 and 2016. Employer contributions for the years ended March 31, 2017 and 2016 were \$72,668 and \$83,016, respectively.

NOTE 5. LEASE OBLIGATIONS

The Association leases equipment and pays maintenance fees under various non-cancelable long-term agreements expiring through 2019.

Rent expense for the years ended March 31, 2017 and 2016 was \$24,649 and \$25,430, respectively.

As of March 31, 2017, future minimum lease commitments are as follows:

Year ending March 31,	
2018	\$ 33,681
2019	31,461
2020	27,881
2021	23,796
2022	<u>15,864</u>
Total	<u>\$ 132,683</u>

NOTE 6. COMMITMENTS

The Association has an employment contract with its Executive Director which expires March 31, 2020. 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 7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 27, 2017, which is the date the financial statements were available to be issued. 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, 2017

	Governance and Administration	Board of Directors	Building Operations	Government and Public Affairs	Membership	Certification	Professional Development	Leadership Conference	Research Committees	Affiliate Visitation	Meritorious Budget Awards	Certificate of Excellence	Grants and Contracts	Continuing Education	Annual Meeting	Exhibits	Periodicals	Books Publication	Total
REVENUE AND SUPPORT																			
Member dues	\$ -	\$ -	\$ -	\$ -	\$ 901,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 901,565
Registration	-	-	-	-	-	67,157	49,860	113,495	-	-	153,620	634,535	-	-	485,951	-	-	-	1,504,618
Meeting revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	327,350	-	-	327,350
Miscellaneous income	11,097	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48	-	11,145
Reprint and list sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	450	-	450
Advertising income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	316,321	-	316,321
Book sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45,833	45,833
Royalties and commissions	868,884	-	-	-	5,473	-	-	-	-	-	-	-	-	-	-	-	-	-	874,357
Corporate marketing	653,723	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	653,723
Contributions	-	70	-	-	-	70,000	126,000	53,524	-	-	20,000	20,000	-	20,000	80,282	15,500	10,000	-	415,376
Interest/investment income	8,357	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,357
Total revenue and support	1,542,061	70	-	-	907,038	137,157	175,860	167,019	-	-	173,620	654,535	-	20,000	566,233	342,850	326,819	45,833	5,059,095
EXPENSES																			
Salaries	374,039	-	-	69,382	335,470	-	322,377	108,231	797	-	57,705	50,411	-	42,750	201,223	16,335	137,121	-	1,715,841
Benefits and payroll taxes	81,444	-	-	19,407	74,174	-	70,086	24,415	63	-	11,952	13,081	-	4,818	46,468	4,909	35,953	-	386,770
Printing and production	1,079	-	-	-	8,011	2,651	2,496	3,229	-	-	1,673	1,204	-	625	17,100	-	153,165	-	191,233
Communications	49,334	122	-	-	18,687	3,787	1,335	290	-	440	1,110	525	-	-	4,567	64	30,801	306	111,368
Depreciation	40,913	-	24,460	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65,373
Travel	37,693	113,565	-	15,121	-	7,810	40,937	18,461	895	38,753	19	363	-	-	37,972	-	9,100	-	320,689
Supplies	24,533	2,066	-	-	257	2,684	4,757	1,254	-	(228)	5,467	41,791	-	28	11,976	364	-	-	94,949
Repairs and maintenance	7,862	-	4,026	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,888
Building services	-	-	49,578	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49,578
Professional services and contract services	384,303	4,692	4,499	-	6,551	33,042	65,603	-	-	-	38,500	146,907	-	23,345	94,913	27,395	216,880	-	1,046,630
Rental and lease expense	1,222	-	18,927	-	4,500	-	-	-	-	-	-	-	-	-	-	-	-	-	24,649
Bank charges and taxes	1,682	-	11,485	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,167
Fees, contributions and subscriptions	17,789	537	196	16,500	615	-	44,432	-	-	-	-	-	-	-	150	1,500	4,425	44,080	130,224
Meeting expenses	43,205	17,983	-	-	-	844	18,614	137,951	-	1,951	520	661	-	1,001	414,716	150,554	-	-	788,000
Miscellaneous expense	5,765	930	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,695
Total expenses	1,070,863	139,895	113,171	120,410	448,265	50,818	570,637	293,831	1,755	40,916	116,946	254,943	-	72,567	829,085	201,121	587,445	44,386	4,957,054
CHANGES IN NET ASSETS	\$ 471,198	\$ (139,825)	\$ (113,171)	\$ (120,410)	\$ 458,773	\$ 86,339	\$ (394,777)	\$ (126,812)	\$ (1,755)	\$ (40,916)	\$ 56,674	\$ 399,592	\$ -	\$ (52,567)	\$ (262,852)	\$ 141,729	\$ (260,626)	\$ 1,447	\$ 102,041