

Independent Auditors' Report

To the Board of Directors of the Massachusetts Association of School Committees, Inc.:

Report on Financial Statements

We have audited the accompanying financial statements of the Massachusetts Association of School Committees, Inc. which comprise the statements of financial position as of June 30, 2014 and 2013, 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.

Auditor's 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 audit 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 auditor considers internal control relevant to the entity'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 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 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 Massachusetts Association of School Committees, Inc. as of June 30, 2014 and 2013, and the results of its activities and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Wolfe & Company, P.C.

Boston, Massachusetts
September 10, 2014

MASSACHUSETTS ASSOCIATION OF SCHOOL COMMITTEES, INC.

Statements of Financial Position

June 30, 2014 and 2013

Assets

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents, including interest-bearing accounts of \$1,167,416 and \$1,028,650, respectively	\$ 1,243,799	\$ 1,095,414
Accounts receivable	68,900	127,363
Prepaid expenses	30,022	37,287
Total current assets	<u>1,342,721</u>	<u>1,260,064</u>
Property and equipment, at cost:		
Office condominium	331,476	331,476
Furniture and equipment	136,479	124,153
	<u>467,955</u>	<u>455,629</u>
Less accumulated depreciation	(246,156)	(232,149)
Net property and equipment	<u>221,799</u>	<u>223,480</u>
Total assets	<u>\$ 1,564,520</u>	<u>\$ 1,483,544</u>

Liabilities and Net Assets

Current liabilities:		
Accrued expenses	\$ 24,085	\$ 23,476
Deferred revenue	3,500	17,500
Total current liabilities	<u>27,585</u>	<u>40,976</u>
	<u>1,536,935</u>	<u>1,442,568</u>
Unrestricted net assets		
Total liabilities and net assets	<u>\$ 1,564,520</u>	<u>\$ 1,483,544</u>

See accompanying notes to financial statements.

MASSACHUSETTS ASSOCIATION OF SCHOOL COMMITTEES, INC.

Statements of Activities

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Unrestricted net assets:		
Revenues:		
Dues	\$ 997,911	\$ 956,352
State conference	288,508	280,200
Management Information for School Committees	59,600	59,865
Publications	120,389	101,515
Conferences and workshops	21,940	5,225
Subscriptions	153,140	151,970
Policy publications	174,750	208,009
Plaques and miscellaneous	34,115	29,620
MASC search service	100,664	93,993
Grant Income	182,646	177,854
Interest income	3,778	3,966
Total revenues	<u>2,137,441</u>	<u>2,068,569</u>
Expenses:		
Programs:	472,989	445,743
State conference	14,686	30,049
Management Information for School Committees	234,208	231,358
Publications	281,623	255,812
Conferences and workshops	205,203	201,450
Policy publications	83,797	72,895
MASC search service	166,254	186,693
District governance support	<u>1,458,760</u>	<u>1,424,000</u>
Total program expenses	<u>584,314</u>	<u>554,694</u>
Administrative	<u>2,043,074</u>	<u>1,978,694</u>
Total expenses	94,367	89,875
Increase in unrestricted net assets	<u>1,442,568</u>	<u>1,352,693</u>
Unrestricted net assets—beginning of year	<u>\$ 1,536,935</u>	<u>1,442,568</u>
Unrestricted net assets—end of year		

See accompanying notes to financial statements.

MASSACHUSETTS ASSOCIATION OF SCHOOL COMMITTEES, INC.

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 94,367	\$ 89,875
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	21,383	19,848
Changes in operating assets and liabilities:		
Accounts receivable	58,463	(7,070)
Prepaid expenses	7,265	33,413
Accrued expenses	609	(3,077)
Deferred revenue	(14,000)	(7,158)
Net cash provided by operating activities	<u>168,087</u>	<u>125,831</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(19,702)</u>	<u>(5,440)</u>
Net cash used by investing activities	<u>(19,702)</u>	<u>(5,440)</u>
Net increase in cash and cash equivalents	148,385	120,391
Cash and cash equivalents at beginning of year	<u>1,095,414</u>	<u>975,023</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,243,799</u></u>	<u><u>\$1,095,414</u></u>

See accompanying notes to financial statements.

Massachusetts Association of School Committees, Inc.
Notes to Financial Statements

Years Ended June 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Massachusetts Association of School Committees, Inc. (the "Association") was incorporated on April 6, 1954. The Association was organized to provide closer cooperation among all of the school committees of the cities and towns of the Commonwealth of Massachusetts; to study the problems of organization, administration and operation of public schools and to work for the adoption of the best methods, practices and procedures in public school administration; to encourage the enactment of legislation deemed beneficial to the public schools, school children and all of the citizens of the Commonwealth; and to sponsor, develop and encourage all projects, programs and matters deemed necessary and desirable to promote better public education in the Commonwealth.

In order to meet its purpose, the Association organizes an annual state conference and other conferences and workshops, provides various publications and manuals and operates a search service for school superintendents.

Basis of Accounting

The financial statements of the Association are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Association reports 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. As of June 30, 2014 and 2013, all of the Association's net assets are unrestricted.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Association to concentration of credit risk, include cash and cash equivalents which may exceed insurance limitations and are placed in high quality financial service organizations.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings and short-term investments with original maturities of three months or less when purchased.

Accounts Receivable

The Association carries its accounts receivable at the invoiced amount less an allowance for doubtful accounts. On a periodic basis, the

Association evaluates its accounts receivable and determines the allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. Management has determined that no allowance for doubtful accounts is necessary at June 30, 2014 and 2013.

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. A summary of the estimated useful lives follows:

Classification	Estimated Useful Life
Office condominium	40 years
Furniture and equipment	5 - 7 years

For the years ended June 30, 2014 and 2013, depreciation expense amounted to \$21,383 and \$19,848, respectively.

Revenues and Deferred Revenue

Dues revenue is recognized ratably over the applicable membership period. Program revenues and grant income are recognized as the related services are provided. Deferred revenue at June 30, 2014 and 2013 consists of amounts for policy publications for which the service had not yet been provided.

Income Tax Status

The Association is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from Federal and state income tax.

Accounting principles generally accepted in the United States of America require the Association to evaluate tax positions taken, including the position that the Association qualifies as a tax-exempt organization, and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association, and has concluded that as of June 30, 2014 and 2013, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Association believes it is no longer subject to examinations for years prior to June 30, 2011.

2. COMMITMENTS

The Association has entered into an operating lease for office equipment and is also leasing other equipment on a month-to-month basis. Future minimum lease payments under the non-cancellable operating leases is \$8,599 for the year ended June 30, 2015. Lease expense under all operating leases amounted to \$35,404 and \$35,143 for the years ended June 30, 2014 and 2013, respectively.

3. PENSION PLANS

The Association has a defined contribution pension plan in effect for all employees who are at least twenty-one years old and have met

the required length of service. Contributions are based on a specified percentage of qualifying compensation (presently 5%) and are funded annually. The Plan also provides for discretionary contributions as determined annually by the Board of Directors (2% for both fiscal years 2014 and 2013). A participant in the plan is not vested in the Association's contributions until they have performed two years of service, at which time they become 20% vested. Participants are fully vested after six years. The Association has also adopted a second defined contribution plan which allows for only employee deferred contributions. Pension expense for the years ended June 30, 2014 and 2013 amounted to \$53,512 and \$49,802, respectively.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 10, 2014, which is the date the financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the financial statements.

MASC Budget and Revenues/Expenditures

RECEIPTS	BUDGET 2014-2015	REVENUES/ EXPENDITURES 2013-2014 (unaudited)
1. Dues	\$1,027,000.00	\$997,910.99
2. Subscriptions	164,600.00	153,140.00
3. Policy Updates from Dues	52,000.00	52,150.00
4. General Laws from Dues	109,960.00	109,470.00
5. Council of School Attorneys	26,000.00	30,162.22
6. Publications	10,000.00	10,918.55
7. Policy Service	90,000.00	110,660.64
8. Annual State Conference (inc. advertisements)	300,000.00	288,823.00
9. Day on the Hill	20,000.00	14,025.00
10. Interest and Dividends	3,000.00	3,778.27
11. Plaques/Recognition Awards	1,200.00	1,116.26
12. Advertising income (included in other categories)	—	—
13. Conferences/Workshops	12,000.00	4,355.00
14. M*I*S*C	60,000.00	59,600.00
15. MASC Search Service	88,000.00	98,859.89
16. Division Income	—	—
17. Other Income (including District Governance Support Project through 6/30/14)	—	182,645.56
18. Offset BOD Expense (Reimbursement)	—	3,061.29
19. NE Regional NSBA Meeting	—	—
20. MA Council of School Committee Administrative Personnel	2,750.00	3,470.00
Totals	\$1,966,510.00	\$2,124,146.67

EXPENSES

1. Salaries	\$728,213.73	\$703,122.45
2. Payroll Expenses (Paychex)	2,900.00	2,900.74
3. Payroll Tax Expenses (FICA/Medicare)	55,708.35	51,739.39
4. Pension Fund	36,410.69	54,652.00
5. Bank Services Charges	—	—
6. Employee Insurance (reimb.; AD&D; Life)	78,000.00	67,863.95
7. Staff Recruitment/Temp Staff	10,000.00	4,690.38
8. Legislative Counsel	47,000.00	47,062.15
9. Legislative Research	—	—
10. Legislative Reporting Service	4,158.00	4,158.00
11. Legal Counsel	46,000.00	48,600.00
12. Legal Services	10,000.00	10,697.52
13. Auditor	30,000.00	28,800.00
14. Accounting Services	2,800.00	2,500.00
15. Staff Expense	40,000.00	31,285.11
16. Staff Professional Development	3,000.00	—
17. Board of Directors	26,000.00	30,046.20
18. Board Professional Development	—	—
19. Additional out-of-state Travel	—	—
20. Professional Development: NSBA Northeast Region	11,000.00	5,425.69

Expenses, continued

21. Professional Development: NSBA FRN Conference (incl. Leadership)	23,000.00	30,377.92
22. Professional Development: NSBA Annual Convention	27,000.00	21,467.97
23. Professional Development: NSBA President's Retreat	6,000.00	3,632.75
24. Memberships	45,000.00	41,940.00
25. Roberta Doering/Past Presidents Scholarships	3,500.00	3,500.00
26. State Conference	225,000.00	225,383.06
27. Day on the Hill	24,000.00	15,514.92
28. Division/Committee Expense	12,500.00	13,515.18
29. Publications	76,000.00	74,914.02
30. Policy Service	35,000.00	42,595.26
31. Office Expense	35,000.00	35,000.00
32. Equipment Lease	39,000.00	35,403.72
33. Equipment Maintenance	6,500.00	1,393.93
34. Postage	64,000.00	62,466.48
35. Condo fees	37,000.00	31,111.66
36. Custodial service	6,500.00	5,958.00
37. Insurance	14,000.00	9,448.00
38. Unemployment Compensation	450.00	—
39. Telephone	15,000.00	9,391.94
40. Electricity	7,500.00	6,017.48
41. Gas	3,250.00	2,633.11
42. Capital Improvements/Depreciation	25,000.00	25,000.00
43. Plaques/Recognition Awards	4,650.00	3,269.60
44. M* *S*C	14,000.00	14,685.64
45. Conferences/Workshops	10,000.00	10,464.45
46. MASC Search Service	36,000.00	36,344.71
47. Council of School Attorneys	18,500.00	22,492.18
48. Technology	13,500.00	9,015.26
49. Bad Debt Expenses	4,000.00	4,000.00
50. Other	—	6,334.93
51. Salaries - DGAP only - Revised to Incorporate Additional DGSP II	—	66,561.18
52. COSCAP (Board Secretaries) Expenses	800.00	769.06
53. Salaries - DGAP	—	58,083.50
Totals	\$1,967,341.77	\$2,025,987.25
Net Income	(831.77)	98,159.42

Adopted by the MASC Board of Directors at its meeting on June 11, 2014.