

# **Montgomery County Education Association, Inc. and Subsidiary**

Consolidated Financial Report  
August 31, 2016

## Contents

---

Independent auditor's report	1-2
------------------------------	-----

---

Financial statements	
Consolidated balance sheets	3
Consolidated statements of activities	4
Consolidated statements of cash flows	5
Notes to consolidated financial statements	6-12

---

Independent auditor's report on the supplementary information	13
---	----

---

Supplementary information	
Consolidating balance sheet	14
Consolidating statement of activities	15
Consolidated schedule of revenue – budget and actual	16
Consolidated schedule of expenses – budget and actual	17-20

---



RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
Montgomery County Education Association, Inc.  
Rockville, Maryland

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Montgomery County Education Association, Inc. and Subsidiary (the Association), which comprise the consolidated balance sheets as of August 31, 2016 and 2015, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 the 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 auditor's 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 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 as of August 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Gaithersburg, Maryland  
March 15, 2017

Montgomery County Education Association, Inc. and Subsidiary

Consolidated Balance Sheets  
August 31, 2016 and 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 599,523	\$ 354,391
Receivables	68,373	57,248
Due from Center for Teacher Leadership	17,272	3,233
Prepaid expenses and other current assets	95,084	85,241
<b>Total current assets</b>	<b>780,252</b>	<b>500,113</b>
Property and equipment, net	5,411,752	5,577,314
Other assets	-	2,364
	<b>\$ 6,192,004</b>	<b>\$ 6,079,791</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 44,640	\$ 59,575
Accrued leave	91,391	60,513
Deferred income	102,034	55,860
Notes payable, current portion	303,516	299,517
<b>Total current liabilities</b>	<b>541,581</b>	<b>475,465</b>
Notes payable, net of current portion and deferred long term issuance costs	3,400,224	3,695,613
Tenant security deposit	6,417	6,417
Retirement health benefits liability	191,812	178,549
	<b>4,140,034</b>	<b>4,356,044</b>
Commitments (Note 5)		
Net assets – unrestricted	<b>2,051,970</b>	<b>1,723,747</b>
	<b>\$ 6,192,004</b>	<b>\$ 6,079,791</b>

See notes to consolidated financial statements.

**Montgomery County Education Association, Inc. and Subsidiary**

**Consolidated Statements of Activities  
Years Ended August 31, 2016 and 2015**

	2016	2015
Revenue:		
Membership dues	\$ 2,335,621	\$ 2,362,292
NEA Uniserv Grant	194,020	192,110
MSEA Field Service Grant	168,370	169,328
Representation fees	110,492	122,340
Rent revenue	134,401	127,081
Other grants	130,528	74,561
Partnership agreement fees	87,831	75,949
Conference center rent	13,913	9,280
Other	4,618	1,370
Interest income	601	486
<b>Total revenue</b>	<b>3,180,395</b>	<b>3,134,797</b>
Expenses:		
Program services:		
Personnel	1,784,871	1,797,444
Membership relations and representation	399,283	308,200
Public relations and publications	32,161	43,959
Employee relations and negotiations	10,224	5,124
Supporting services:		
Management and general	620,918	634,787
Miscellaneous	4,715	1,257
<b>Total expenses</b>	<b>2,852,172</b>	<b>2,790,771</b>
<b>Change in net assets</b>	<b>328,223</b>	<b>344,026</b>
Net assets:		
Beginning	1,723,747	1,379,721
Ending	<b>\$ 2,051,970</b>	<b>\$ 1,723,747</b>

See notes to consolidated financial statements.

**Montgomery County Education Association, Inc. and Subsidiary**

**Consolidated Statements of Cash Flows**  
**Years Ended August 31, 2016 and 2015**

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 328,223	\$ 344,026
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	170,133	167,340
Amortization	11,717	10,222
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(11,125)	43,930
Due from Center for Teacher Leadership	(14,039)	(3,233)
Prepaid expenses and other current assets	(9,843)	49,017
Other assets	2,364	2,094
(Decrease) increase in:		
Accounts payable	(14,935)	(23,458)
Accrued leave	30,878	(25,600)
Deferred income	46,174	(9,514)
Retirement health benefits liability	13,263	(48,427)
<b>Net cash provided by operating activities</b>	<b>552,810</b>	<b>506,397</b>
Cash flows from investing activities:		
Purchase of property and equipment	(8,160)	(78,107)
<b>Net cash used in investing activities</b>	<b>(8,160)</b>	<b>(78,107)</b>
Cash flows from financing activities:		
Principal payments on long-term debt	(299,518)	(295,676)
<b>Net cash used in financing activities</b>	<b>(299,518)</b>	<b>(295,676)</b>
<b>Net increase in cash and cash equivalents</b>	<b>245,132</b>	<b>132,614</b>
Cash and cash equivalents:		
Beginning	354,391	221,777
Ending	\$ 599,523	\$ 354,391
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 109,917	\$ 114,032

See notes to consolidated financial statements.

## Montgomery County Education Association, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** Montgomery County Education Association, Inc. and Subsidiary (the Association) is comprised of two entities: Montgomery County Education Association (MCEA) and 12 Taft, LLC (the LLC).

MCEA is a nonprofit labor organization and is the recognized collective bargaining agent for non-supervisory, certificated personnel, substitute teachers and home and hospital teachers employed by the Montgomery County Public Schools (MCPS). MCEA's objectives include promoting the general welfare and professional interests of its members and improving the quality of education they provide to the students of MCPS. MCEA provides training, assistance and representation for its members.

MCEA acquired the LLC in connection with the acquisition of the new headquarters building. MCEA is the sole member of the LLC, and the LLC holds the title of the land and building.

A summary of the significant accounting policies of the Association follows:

**Basis of accounting:** The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

**Principles of consolidation:** The consolidated financial statements include the accounts of MCEA and the LLC. The LLC is consolidated as MCEA owns 100% of the membership interests of the LLC. All material inter-company transactions have been eliminated.

**Basis of presentation:** The consolidated financial statements presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the FASB ASC, 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. The Association had no temporarily restricted or permanently restricted net assets at August 31, 2016 and 2015.

**Cash and cash equivalents:** For the purpose of the consolidated statements of cash flows, the Association includes as cash in the accompanying consolidated balance sheets all cash and money market funds that are not subject to withdrawal restrictions or penalties and that have original term-to-maturity of less than three months.

**Receivables:** Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management believes that all receivables are fully collectible and that no provision for doubtful accounts is necessary.

**Property and equipment:** Property and equipment are stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The Association capitalizes all property and equipment purchased with a cost of \$500 or more.

## Montgomery County Education Association, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Valuation of long-lived assets:** The Association reviews assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

**Loan origination costs:** Direct loan origination costs associated with the Association's notes payable are deferred and amortized over the lives of the respective notes using the effective interest method and is netted with notes payable on the consolidated balance sheets.

**Income taxes:** The Association is exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code (the Code). The Association is subject to taxation on net unrelated business income. During the tax years ended August 31, 2016 and 2015, the Association had no net unrelated business income. The LLC is a single-member LLC, and as such, is a disregarded entity for federal income tax purposes pursuant to Section 7701 of the Code. Management evaluated the Association's tax positions and concluded that the Association had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

**Revenue:** Membership dues and representation fees for the Association, the Maryland State Education Association (MSEA) and the National Education Association (NEA) are all collected at the local level by the Association. Remittances are then made to the state and national levels for their share of the collections. The Association's dues are established by the membership and the dues for the state and national levels are determined by the respective governing bodies. Dues of the Association collected in advance of the period to which they pertain are reported as deferred income. Dues collected for the state and national levels are reflected as liabilities until remitted to those levels.

The Association has various non-federal grants and contracts. Revenue from grants and contracts is recognized as services are performed and costs are incurred. Conditional grants are recognized when the conditions on which they depend are substantially met.

Partnership agreement fees are commissions received from insurance companies when members purchase their products. Revenue is recognized in the month the sale occurs. Rental income is recognized when earned in accordance with the terms of lease agreements.

**Financial risk:** The Association maintains cash in bank deposit accounts, which at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant credit risk on cash.

**Functional allocation of expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but that provide for the overall support and direction of the Association.

**Use of estimates:** The preparation of consolidated financial statements 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Montgomery County Education Association, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Adopted accounting pronouncement:** In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the consolidated balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU will be effective for fiscal years beginning after December 15, 2015. The Association early adopted this ASU during the year ended August 31, 2016, which is reflected in Note 5.

**Upcoming accounting pronouncement:** In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. This ASU is effective for fiscal years beginning after December 15, 2018. The Association is currently assessing the potential impact of this ASU on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*. The amendments in this ASU are intended to improve the guidance on principal versus agent considerations. The effective date for this ASU is the same as the effective date for ASU 2014-09, *Revenue from Contracts with Customers*. The Association is currently assessing the potential impact of this ASU on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale on whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The Association is currently assessing the potential impact of this ASU on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier applicable is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Association is currently assessing the potential impact of this ASU on the consolidated financial statements.

**Reclassification:** Certain items in the August 31, 2015, consolidated financial statements have been reclassified to comply with the current year presentation. These reclassification had no effect on previously reported change in net assets or net assets.

**Montgomery County Education Association, Inc. and Subsidiary**

**Notes to Consolidated Financial Statements**

**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

**Subsequent events:** The Association evaluated subsequent events through March 15, 2017, which is the date the consolidated financial statements were available to be issued.

**Note 2. Receivables**

Receivables at August 31, 2016 and 2015, consist of the following:

	2016	2015
Grant receivables	\$ 15,000	\$ -
Other receivables	70,645	60,481
	<u>\$ 85,645</u>	<u>\$ 60,481</u>

**Note 3. Property and Equipment**

Property and equipment and accumulated depreciation at August 31, 2016, and depreciation expense for the year ended August 31, 2016, are as follows:

Asset Category	Estimated Useful Lives	2016			
		Cost	Accumulated Depreciation	Net	Depreciation
Building and improvements	40 years	\$ 5,823,853	\$ 1,095,767	\$ 4,728,086	\$ 145,660
Land	N/A	583,411	-	583,411	-
Furniture and equipment	3-10 years	470,138	380,769	89,369	18,283
Software	3-5 years	97,843	86,957	10,886	6,190
		<u>\$ 6,975,245</u>	<u>\$ 1,563,493</u>	<u>\$ 5,411,752</u>	<u>\$ 170,133</u>

Property and equipment and accumulated depreciation at August 31, 2015, and depreciation expense for the year ended August 31, 2015, are as follows:

Asset Category	Estimated Useful Lives	2015			
		Cost	Accumulated Depreciation	Net	Depreciation
Building and improvements	40 years	\$ 5,823,827	\$ 950,107	\$ 4,873,720	\$ 143,929
Land	N/A	583,411	-	583,411	-
Furniture and equipment	3-10 years	466,870	362,487	104,383	17,102
Software	3-5 years	97,770	81,970	15,800	6,309
		<u>\$ 6,971,878</u>	<u>\$ 1,394,564</u>	<u>\$ 5,577,314</u>	<u>\$ 167,340</u>

## Montgomery County Education Association, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 4. Line of Credit

In connection with the purchase of the Association's new headquarters building, the Association entered into a \$100,000 line of credit with a financial institution which renewed periodically. Advances on the line accrued interest at 300 basis points over the 30-day London InterBank Offered Rate (LIBOR), with a minimum interest of 5%. The line was secured by certain real assets of the Association.

The line of credit expired on April 1, 2016. There was no interest expense on the line for the years ended August 31, 2016 and 2015. There was no outstanding balance on the line at August 31, 2015.

#### Note 5. Notes Payable

The Association has a note payable with a financial institution that bears interest at the greater of 2.6% or 285 basis points over the 30-day LIBOR. The note is secured by the property and certain other assets of the Association. Principal and interest payments are due on a monthly basis, based on an amortization schedule which fully amortize all principal and interest on May 26, 2033. All unpaid amounts are due on the maturity date of June 30, 2018. At August 31, 2016 and 2015, the loan balance was \$3,589,466 and \$3,790,846, respectively. Interest expense for the years ended August 31, 2016 and 2015, was \$102,611 and \$102,885, respectively. The note is subject to several restrictive covenants, including maintaining a certain debt service ratio and delivery of the audited financial statements by January 31 after the fiscal year-end. The Association was able to obtain a written waiver of compliance from the Bank regarding delivery of the audited financial statements.

The Association also has a loan with MSEA. The note bears interest at 4% and is unsecured. Monthly payments of principal and interest are due until maturity on December 1, 2017. The balance of the loan at August 31, 2016 and 2015, was \$129,170 and \$227,308, respectively. Interest expense on this loan for the years ended August 31, 2016 and 2015, was \$7,306 and \$11,148, respectively.

Principal payments at August 31, 2016, are due in future years as follows:

Years ending August 31:	
2017	\$ 303,516
2018	3,415,120
Total maturities	<u>3,718,636</u>
Less unamortized bond acquisition costs	14,896
	<u><u>\$ 3,703,740</u></u>

#### Note 6. Agency Transactions

##### Membership Dues and Agency Fees

Dues and fees are collected on the local level for the Association, MSEA and NEA. Remittances are then made to the state and national levels for their respective share of the collections. On the local level, the dues are established by the membership. On the state and national levels, the dues are determined by the respective governing bodies.

By authority of Section 6-407 of the Annotated Code of Maryland, the Association negotiated with and received approval from the Montgomery County Board of Education to collect a representation fee from all Association unit members of the Montgomery County Board of Education who do not join the Association. The fees are collected on the local level for an amount based on the percentage of member dues, representing the cost of contract negotiations and administration. Remittances are then made to the state and national levels for their share of the collections.

## Montgomery County Education Association, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 6. Agency Transactions (Continued)

Collections and remittances of state and national dues and fees are, respectively, recorded as increases and decreases of liabilities. Thus, they are not included in revenue and expenses. Approximately \$6,071,341 and \$6,011,603 of such dues and fees were collected during the years ended August 31, 2016 and 2015, respectively. Approximately \$6,071,341 and \$6,011,553 of those funds were remitted during the years ended August 31, 2016 and 2015, respectively.

#### Center for Teacher Leadership Training Program

The Association assists the Center for Teacher Leadership (CFTL) run a training hub through grant funds CFTL receives from NEA. The training hub provides professional development to NEA teacher union leaders from across the country. The Association incurred expenses for this program of \$412,489 and \$180,423 for the years ended August 31, 2016 and 2015, respectively. The Association was reimbursed for the expenses in the amount of \$394,217 and \$177,190 for the years ended August 31, 2016 and 2015, respectively. The amount due from CFTL at August 31, 2016 and 2015 is \$17,272 and \$3,233, respectively.

#### Note 7. Retirement Plans

The Association maintains a profit sharing plan (the Plan) sponsored by ExpertPlan, Inc. for its employees. The Plan is administered by trustees appointed by the Board of Directors. The Association made contributions amounting to 14.4% and 14.0% for the years ended August 31, 2016 and 2015, respectively, of the salaries for qualified employees. For the years ended August 31, 2016 and 2015, the Association contributed \$155,749 and \$156,460, respectively.

In October 2012, the Association approved a retirement health benefit plan (the Benefit Plan). The Benefit Plan was created to assist employees with healthcare costs upon retirement and pays an employee 1.5% of their final salary times the years of service. Employees are eligible for the benefit after working a minimum of 15 years. In addition, employees aged 55 and above become eligible upon 12 years of service. As of August 31, 2016 and 2015, an estimated liability has been recorded in the amount of \$191,812 and \$178,549, respectively, for this benefit.

#### Note 8. Leases

The Association has four agreements to lease a portion of its facilities. The agreements expire through February 2020. Future minimum rentals payments to be received are as follows:

Years ending August 31:	
2017	\$ 84,006
2018	73,868
2019	32,550
2020	33,364
	<u>\$ 223,788</u>

**Montgomery County Education Association, Inc. and Subsidiary**

**Notes to Consolidated Financial Statements**

---

**Note 9. Functional Expenses**

Expenses by functional classification for the years ended August 31, 2016 and 2015, below include the allocation of personnel cost, building operations and overhead that benefit program services.

	<u>2016</u>	<u>2015</u>
Program services:		
Membership relations and representation	\$ 1,426,198	\$ 1,342,127
Public relations and publications	161,375	174,056
Employee relations and negotiations	289,057	285,859
Support services:		
Management and general	975,542	988,729
	<u>\$ 2,852,172</u>	<u>\$ 2,790,771</u>

**Independent Auditor's Report on the Supplementary Information**

To the Board of Directors  
Montgomery County Education Association, Inc.  
Rockville, Maryland

We have audited the consolidated financial statements of Montgomery County Education Association, Inc. and Subsidiary (the Association) as of and for the years ended August 31, 2016 and 2015, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The combining and other supplementary information is presented for purposes of additional analysis rather than to present the financial position and results of activities of the individual entities and is not a required part of the consolidated 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 consolidated financial statements. The consolidating and other supplementary information, except for budget information marked unaudited, has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the portions marked unaudited on which we express no opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*RSM US LLP*

Gaithersburg, Maryland  
March 15, 2017

**Montgomery County Education Association, Inc. and Subsidiary**

**Consolidating Balance Sheet  
August 31, 2016**

	MCEA	12 Taft, LLC	Eliminating Entries	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 564,345	\$ 35,178	\$ -	\$ 599,523
Receivables	68,373	-	-	68,373
Due from Center for Teacher Leadership	17,272	-	-	17,272
Prepaid expenses and other current assets	85,715	9,369	-	95,084
<b>Total current assets</b>	<u>735,705</u>	<u>44,547</u>	<u>-</u>	<u>780,252</u>
Property and equipment, net	113,588	5,298,164	-	5,411,752
Investment in LLC	1,587,258	-	(1,587,258)	-
	<u>\$ 2,436,551</u>	<u>\$ 5,342,711</u>	<u>\$ (1,587,258)</u>	<u>\$ 6,192,004</u>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable	\$ 33,866	\$ 10,774	\$ -	\$ 44,640
Accrued leave	91,391	-	-	91,391
Deferred income	67,512	34,522	-	102,034
Current portion of notes payable	-	303,516	-	303,516
<b>Total current liabilities</b>	<u>192,769</u>	<u>348,812</u>	<u>-</u>	<u>541,581</u>
Notes payable, net of current portion	-	3,400,224	-	3,400,224
Tenant security deposit	-	6,417	-	6,417
Retirement health benefits liability	191,812	-	-	191,812
	<u>384,581</u>	<u>3,755,453</u>	<u>-</u>	<u>4,140,034</u>
Commitments				
Net assets:				
Unrestricted	2,051,970	1,587,258	(1,587,258)	2,051,970
	<u>\$ 2,436,551</u>	<u>\$ 5,342,711</u>	<u>\$ (1,587,258)</u>	<u>\$ 6,192,004</u>

**Montgomery County Education Association, Inc. and Subsidiary**

**Consolidating Statement of Activities  
Year Ended August 31, 2016**

	MCEA	12 Taft, LLC	Eliminating Entries	Total
<b>Revenue:</b>				
Membership dues	\$ 2,335,621	\$ -	\$ -	\$ 2,335,621
NEA Uniserv Grant	194,020	-	-	194,020
MSEA Field Service Grant	168,370	-	-	168,370
Representation fees	110,492	-	-	110,492
Rent revenue	-	580,342	(445,941)	134,401
Other grants	130,528	-	-	130,528
Partnership agreement fees	87,831	-	-	87,831
Conference center rent	13,913	-	-	13,913
Other	4,618	-	-	4,618
Interest income	601	-	-	601
<b>Total revenue</b>	<b>3,045,994</b>	<b>580,342</b>	<b>(445,941)</b>	<b>3,180,395</b>
<b>Expenses:</b>				
Program services:				
Personnel	1,784,871	-	-	1,784,871
Membership relations and representation	399,283	-	-	399,283
Public relations and publications	32,161	-	-	32,161
Employee relations and negotiations	10,224	-	-	10,224
Supporting services:				
Management and general	598,544	468,315	(445,941)	620,918
Miscellaneous	4,715	-	-	4,715
<b>Total expenses</b>	<b>2,829,798</b>	<b>468,315</b>	<b>(445,941)</b>	<b>2,852,172</b>
<b>Change in net assets before equity change in LLC</b>	<b>216,196</b>	<b>112,027</b>	<b>-</b>	<b>328,223</b>
Equity change in Investment in LLC	112,027	-	(112,027)	-
<b>Change in net assets</b>	<b>328,223</b>	<b>112,027</b>	<b>(112,027)</b>	<b>328,223</b>
<b>Net assets:</b>				
Beginning of year	1,723,747	1,420,027	(1,420,027)	1,723,747
Capital contributions to LLC	-	55,204	(55,204)	-
End of year	<b>\$ 2,051,970</b>	<b>\$ 1,587,258</b>	<b>\$ (1,587,258)</b>	<b>\$ 2,051,970</b>

**Montgomery County Education Association, Inc. and Subsidiary**

**Consolidated Schedule of Revenue – Budget and Actual  
Year Ended August 31, 2016**

	2016 Actual			Total	(Unaudited) Consolidated Budget
	MCEA	12 Taft, LLC	Eliminating Entries		
Revenue:					
Membership dues	\$ 2,335,621	\$ -	\$ -	\$ 2,335,621	\$ 2,387,935
NEA Uniserv Grant	194,020	-	-	194,020	195,618
MSEA Field Service Grant	168,370	-	-	168,370	178,198
Rent revenue	-	580,342	(445,941)	134,401	138,225
Other grants	130,528	-	-	130,528	41,795
Representation fees	110,492	-	-	110,492	100,401
Partnership agreement fees	87,831	-	-	87,831	70,000
Conference center rent	13,913	-	-	13,913	12,000
Interest income	601	-	-	601	600
Other	4,618	-	-	4,618	500
<b>Total revenue</b>	<b>\$ 3,045,994</b>	<b>\$ 580,342</b>	<b>\$ (445,941)</b>	<b>\$ 3,180,395</b>	<b>\$ 3,125,272</b>

Montgomery County Education Association, Inc. and Subsidiary

Consolidated Schedule of Expenses – Budget and Actual  
Year Ended August 31, 2016

	2016 Actual			Total	(Unaudited) Consolidated Budget
	MCEA	12 Taft, LLC	Eliminating Entries		
Management and general:					
Office supplies and expenses:					
Supplies and expenses	\$ 21,672	\$ -	\$ -	\$ 21,672	\$ 11,500
Copying/related expenses	18,379	-	-	18,379	32,000
Postage	3,708	-	-	3,708	5,000
<b>Total office supplies and expenses</b>	<b>43,759</b>	<b>-</b>	<b>-</b>	<b>43,759</b>	<b>48,500</b>
Fees:					
Auditing and other professional fees	30,861	2,062	-	32,923	33,500
Investment management fee	-	-	-	-	1,500
<b>Total fees</b>	<b>30,861</b>	<b>2,062</b>	<b>-</b>	<b>32,923</b>	<b>35,000</b>
Headquarters:					
Depreciation and amortization	26,962	154,888	-	181,850	176,395
Mortgage/interest expense	-	109,917	-	109,917	110,292
Property tax	4,950	48,846	-	53,796	53,287
Property management services	-	46,916	-	46,916	33,555
Utilities	-	37,486	-	37,486	49,640
Janitorial/trash/recycling	-	29,198	-	29,198	33,540
Building repair and maintenance	-	24,396	-	24,396	42,144
LAN/web/internet	24,245	-	-	24,245	15,735
Telephone and communications	15,175	2,536	-	17,711	9,000
Corporate insurance	665	9,414	-	10,079	11,303
Equipment maintenance	2,726	-	-	2,726	5,000
Contractual services	-	2,656	-	2,656	1,000
MCEA rent paid to 12 Taft, LLC	445,941	-	(445,941)	-	-
<b>Total headquarters</b>	<b>520,664</b>	<b>466,253</b>	<b>(445,941)</b>	<b>540,976</b>	<b>540,891</b>
Board of Directors:					
Board of Directors' expense	2,910	-	-	2,910	1,500
Credentials/elections committee	177	-	-	177	500
Executive Director's expense	118	-	-	118	500
President's expense	55	-	-	55	1,000
<b>Total Board of Directors</b>	<b>3,260</b>	<b>-</b>	<b>-</b>	<b>3,260</b>	<b>3,500</b>
<b>Total management and general</b>	<b>598,544</b>	<b>468,315</b>	<b>(445,941)</b>	<b>620,918</b>	<b>627,891</b>

(Continued)

Montgomery County Education Association, Inc. and Subsidiary

Consolidated Schedule of Expenses – Budget and Actual (Continued)  
Year Ended August 31, 2016

	2016 Actual			Total	(Unaudited) Consolidated Budget
	MCEA	12 Taft, LLC	Eliminating Entries		
Membership relations and representation:					
Membership relations:					
Leadership development	\$ 61,204	\$ -	\$ -	\$ 61,204	\$ 30,000
Supplemental grant project	89,512	-	-	89,512	-
Fall leadership retreat	55,477	-	-	55,477	40,000
Council on teaching and learning	24,900	-	-	24,900	25,000
POL/political and legislative action network	20,615	-	-	20,615	40,000
Headquarters hospitality	15,469	-	-	15,469	12,000
Outreach to new teachers	12,381	-	-	12,381	10,000
Joint committees	5,179	-	-	5,179	2,000
Retiring teachers event	3,810	-	-	3,810	2,000
Combined HCR/MAC committee	1,820	-	-	1,820	4,000
National conferences	1,138	-	-	1,138	5,000
Dues and subscriptions	10	-	-	10	200
Membership recruitment	-	-	-	-	2,000
Membership committee	-	-	-	-	1,000
IPD committee	-	-	-	-	1,000
<b>Total membership relations</b>	<b>291,515</b>	<b>-</b>	<b>-</b>	<b>291,515</b>	<b>174,200</b>
Representation:					
NEA convention	62,223	-	-	62,223	100,000
MSEA convention	36,401	-	-	36,401	25,000
Representative assembly	9,144	-	-	9,144	5,000
Urban education coalitions	-	-	-	-	2,000
<b>Total representation</b>	<b>107,768</b>	<b>-</b>	<b>-</b>	<b>107,768</b>	<b>132,000</b>
<b>Total membership relations and representation</b>	<b>399,283</b>	<b>-</b>	<b>-</b>	<b>399,283</b>	<b>306,200</b>

(Continued)

Montgomery County Education Association, Inc. and Subsidiary

Consolidated Schedule of Expenses – Budget and Actual (Continued)  
Year Ended August 31, 2016

	2015 Actual			Total	(Unaudited) Consolidated Budget
	MCEA	12 Taft, LLC	Eliminating Entries		
Public relations and publications:					
Public relations:					
Polling and media work	\$ 13,600	\$ -	\$ -	\$ 13,600	\$ 15,000
Public relations, community outreach program	11,470	-	-	11,470	29,200
<b>Total public relations</b>	<b>25,070</b>	<b>-</b>	<b>-</b>	<b>25,070</b>	<b>44,200</b>
Publications:					
Other printing and publications	7,091	-	-	7,091	3,000
<b>Total publications</b>	<b>7,091</b>	<b>-</b>	<b>-</b>	<b>7,091</b>	<b>3,000</b>
<b>Total public relations and publications</b>	<b>32,161</b>	<b>-</b>	<b>-</b>	<b>32,161</b>	<b>47,200</b>
Employee relations and negotiations:					
Employee relations:					
Local mileage and expense	7,392	-	-	7,392	4,500
Bargaining support	1,892	-	-	1,892	500
Negotiations team	554	-	-	554	-
Arbitration fees	-	-	-	-	1,000
<b>Total employee relations</b>	<b>9,838</b>	<b>-</b>	<b>-</b>	<b>9,838</b>	<b>6,000</b>
Negotiations:					
Sick leave bank	386	-	-	386	500
<b>Total negotiations</b>	<b>386</b>	<b>-</b>	<b>-</b>	<b>386</b>	<b>500</b>
<b>Total employee relations and negotiations</b>	<b>10,224</b>	<b>-</b>	<b>-</b>	<b>10,224</b>	<b>6,500</b>

(Continued)

Montgomery County Education Association, Inc. and Subsidiary

Consolidated Schedule of Expenses – Budget and Actual (Continued)  
 Year Ended August 31, 2016

	2016 Actual			Total	(Unaudited) Consolidated Budget
	MCEA	12 Taft, LLC	Eliminating Entries		
Personnel:					
Salaries/compensation	\$ 1,261,273	\$ -	\$ -	\$ 1,261,273	\$ 1,322,564
Fringe benefits	359,096	-	-	359,096	357,443
Payroll taxes	85,084	-	-	85,084	91,736
Provision for earned leave	36,633	-	-	36,633	(23,194)
Staff development	12,947	-	-	12,947	12,100
Payroll service	4,005	-	-	4,005	3,700
Retirement health benefits	24,263	-	-	24,263	11,500
Temporary help	1,570	-	-	1,570	5,000
<b>Total personnel</b>	<b>1,784,871</b>	<b>-</b>	<b>-</b>	<b>1,784,871</b>	<b>1,780,849</b>
Miscellaneous expense:					
Miscellaneous expense	4,715	-	-	4,715	600
<b>Total miscellaneous</b>	<b>4,715</b>	<b>-</b>	<b>-</b>	<b>4,715</b>	<b>600</b>
<b>Total expenses</b>	<b>\$ 2,829,798</b>	<b>\$ 468,315</b>	<b>\$ (445,941)</b>	<b>\$ 2,852,172</b>	<b>\$ 2,769,240</b>