NEA-ALASKA
Affiliated with the National Education Association

October 17, 2017

NOTICE:
NEA/NEA-Alaska/Anchorage Education Association (AEA)
SERVICE FEE FOR 2017-2018

Please note: If you have joined the association as a member and feel that you have received this package in error, please disregard this notice. You may want to verify your membership status by contacting your local association, or by calling the Juneau Regional Office of NEA-Alaska and ask for membership.

1. This notice and the material that accompanies it are being sent to you pursuant to the United States Supreme Court decision in Hudson v. Chicago Teachers Union. These documents explain the basis for the service fee you are required to pay and your rights as a fee payer.

2. Under the terms of the collective bargaining agreement between your employer and the NEA-Alaska local affiliate Association in the district where you work, you are required either to become a member of that Association and pay unified NEA/NEA-Alaska/AEA dues, or, while continuing as a nonmember of the local Association, to pay to it a service fee equal to unified dues in the amount of $1,075.83.

3. However, as a fee payer you have the right to object to use of your fee for purposes unrelated to collective bargaining, contract administration, grievance adjustment and employment conditions. The local Association in your district has determined that, for the 2017-2018 school year, the service fee chargeable to you if you object ("reduced service fee") will be equal to 69.19% of the NEA, NEA-Alaska, and AEA dues paid by members in your bargaining unit. Except as noted in paragraph 6 below, the full amount of the dues must be paid ($1,075.83) and a refund will be issued based upon your choice on the Notice of Objection (see attached form).

4. The current year chargeable service fee is **based on audited financial statements** of the NEA, NEA-Alaska and AEA.

Chargeable Calculations

	2017-2018 Dues 100%	Chargeable Percentage **Based on Audit**	Chargeable Fee
NEA	$189.00	43.87%	$ 82.91
NEA-ALASKA	725.00	72%	522.00
AEA	161.83	86%	139.17
Total	$1,075.83		$744.08 (69.19%)

ANCHORAGE OFFICE • 4100 Spenard Road • Anchorage, Alaska 99517 • (907) 274-0536 • FAX: (907) 274-0551
JUNEAU OFFICE • 201 Main Street, Suite 300 • Juneau, Alaska 99801 • (907) 586-3090 • FAX: (907) 586-2744
FAIRBANKS OFFICE • 2118 S. Cushman Street • Fairbanks, Alaska 99701 • (907) 456-4435 • FAX: (907) 456-2159

5. Attached to this letter are documents that allow you to evaluate the reduced service fee:

   A. Cover memoranda from both the NEA and NEA-Alaska that describe how the amount of the reduced service fee has been computed.

   B. **Audited financial reports (2015-2016)** for NEA, NEA-Alaska and AEA that reflect actual expenditures of these associations;

   C. Budgets for NEA-Alaska and AEA that reflect projected expenditures of these Associations for the 2017-2018 school year; and

   D. A copy of the American Arbitration Association "Rules for Impartial Determination of Union Fees."

6. Under the terms of the NEA-Alaska Service Fee Procedure, you may object (*i.e.*, become an "objector") to use of your fee for purposes unrelated to collective bargaining, contract administration, grievance adjustment and employment conditions. To become an objector, you must complete the Notice of Objection form enclosed, and select either Option 1 or Option 2 shown on that form, and return the form to NEA-Alaska within the date stated thereon.

7. If you accept the reduced service fee as determined by the Association, waiving your right to challenge the amount of the fee before the impartial arbitrator and to any future fee reductions based upon the outcome of the arbitration, then you should select Option 1 on the Notice of Objection Form. As an option 1 objector, you will receive your refund of the amount calculated by the association as non-chargeable during the school year, upon verification of your payment method and job status. **Note: a fee payer who does not object or who accepts the reduced service fee as determined by the Association waives his/her right to challenge the amount of the fee before the impartial arbitrator and to any future fee reductions based upon the outcome of the arbitration.**

8. If you do object, choosing to challenge the calculation of the fee before an impartial arbitrator, you should select Option 2 on the Notice of Objection form. Refunds of the portion of the fee which the arbitrator concludes is non-chargeable, will be made promptly after the decision of the arbitrator, from an interest-bearing escrow account.

9. Employees may pay dues or fees in cash by November 30, 2017, or by regular monthly payroll deductions. Payroll deductions will be based upon the full service fee. Fees paid by non-members will be made as deductions from your salary and immediately placed in an interest-bearing escrow account until refunds are made as explained above. The arbitration process is described in paragraph 11 below.

10. Should you wish to become an Option 1 or Option 2 objector you must notify NEA-Alaska by completing and mailing the attached Notice of Objection form to NEA-Alaska, 201 Main St., Suite 300, Juneau, Alaska 99801, or by delivering such a notice to NEA-Alaska at the same address. The Notice of Objection form must be completed and include your name and home address. In order to be timely, the Notice of Objection must be postmarked or delivered on or before) November 17, 2017. If we do not hear from you by that time, we will assume you have no objection to expenditures for the 2017-2018 school year and you will therefore not receive a refund. Furthermore, if we do hear from you, but your Notice of Objection fails to indicate whether you accept or challenge the reduced service fee as determined by the Association, we will assume that you wish to challenge the fee.

11. If you choose to challenge the service fee, NEA-Alaska will expeditiously ask the American Arbitration Association to appoint an arbitrator and you will be promptly informed of the arbitration hearing procedure. Following the arbitration hearing and a determination by the arbitrator, NEA-Alaska will immediately have released from escrow and sent to you a check representing the non-chargeable amount for NEA, NEA-Alaska and your local association as determined by the arbitrator, together with interest on that portion of the amount collected to date. Even if the arbitrator determines that the non-chargeable amount is smaller than the Association determined, and the chargeable amount is greater than the Association determined, you will receive a rebate based upon the calculation set forth above. NOTE: an employee who wishes to challenge the service fee may also commence action in the United States District Court, with or without first participating in the arbitration hearing.

12. It is our sincere hope that after reading these materials you will realize more fully the efforts made by the Association on your behalf and will choose to become an active member of the Association. We believe active membership is the best way to protect your employment interests in Alaska and to promote educational excellence.

If you have any questions, please contact Glenn Bafia, Executive Director, in the Anchorage office.

Enclosures
cc: Tom Klaameyer, AEA President

NOTICE OF OBJECTION 2017-2018

(Please initial either Option 1 or Option 2)

Option 1 _____ (initial)

I object to NEA, NEA-Alaska, and AEA receiving funds from Anchorage School District as a result of my employment with the Anchorage District which will be used by the NEA, NEA-Alaska and AEA for "non-chargeable" activities. I accept the NEA, NEA-Alaska, and AEA determination that 69.19% of the $1,075.83 fee is used for "chargeable" activities. I wish to have the amount of the fee attributable to "non-chargeable" activities returned to me.

Option 2 _____ (initial)

I object to NEA, NEA-Alaska, and AEA receiving funds from Anchorage School District as a result of my employment with the Anchorage District which will be used by the NEA, NEA-Alaska and AEA for "non-chargeable" activities. Additionally, I wish to challenge the NEA, NEA-Alaska, and AEA determination of the amount attributable to "non-chargeable" activities. I request that my challenge be heard by an impartial arbitrator. I understand that the arbitrator may either approve the NEA, NEA-Alaska, and AEA calculations or increase or decrease the amount attributable to "non-chargeable" activities. I understand that the full amount of the representation fee it receives will be retained in an escrow account, until the arbitrator decides the challenge. NEA-Alaska will thereafter transmit to me the amount of the fee attributable to "non-chargeable" activities as determined by the arbitrator.

_____ Date _____
Printed Name

_____
Signature

_____
Address

_____
City, State, ZIP

Return by November 17, 2017 to: NEA-Alaska Service Fee
201 Main Street, Suite 300
Juneau, AK 99801

Failure to return will be treated as non-objection.

NEA-Alaska, Inc.

APPROVED
2017-2018 & 2018-2019

Strategic Plan and Budget

NEA-Alaska exists to be an advocate for an excellent public education for each child in Alaska and to advance the interests of public school employees.

NEA-Alaska
Approved Budget
Summary
FY 2017/2018 and 2018/2019

	2017/2018 Approved Budget		2018/2019 Approved Budget	
REVENUES				
Dues & Agency Fee Revenue	6,486,000		6,486,000	
Retired Revenue	10,000		10,000	
Other Revenue	745,145		753,419	
Total Revenue	7,241,145		7,249,419	
DESIGNATIONS TO BE EXPENDED				
Retired Escrow	25,950		25,950	
Undesignated Net Assets	-		145,035	
Long Range Public Relations	281,660		-	
Total Designations	307,610		170,985	
Total Amount Available	7,548,755		7,420,404	
EXPENDITURES				
NEA-Alaska Retired				
Retired Endowment (includes investment earnings)	60,000		60,000	
Program Activity	25,950		25,950	
Total NEA-Alaska Retired	85,950	1.14%	85,950	1.16%
Teaching & Learning				
Personnel Costs	1,345,194		1,416,599	
Goal Area Support	426,946		428,116	
Program Activity	385,960		384,735	
Total Teaching and Learnir	2,158,100	28.59%	2,229,450	30.04%
UniServ Program				
Personnel Costs	1,345,194		1,416,599	
Goal Area Support	426,946		428,116	
Program Activity	247,500		247,500	
Total UniServ Program	2,019,640	26.75%	2,092,215	28.20%
Public Affairs				
Personnel Costs	671,054		702,722	
Goal Area Support	212,984		212,372	
Program Activity	697,938		386,278	
Total Public Affairs	1,581,976	20.96%	1,301,372	17.54%
Governance				
Personnel Costs	201,198		208,476	
Goal Area Support	63,857		63,006	
Program Activity	633,166		608,166	
Total Governance	898,221	11.90%	879,648	11.85%
Administration				
Personnel Costs	610,959		638,734	
Goal Area Support	193,909		193,035	
Total Operations Support	804,868	10.66%	831,769	11.21%
Total Expenditures	7,548,755		7,420,404	
	0		0	

NEA-Alaska
FY 2017/2018 and 2018/2019
Revenue Budget

	2017/2018 Approved Budget	2018/2019 Approved Budget
Active Certified Dues	*$690.00*	*$690.00*
Active ESP Dues	*$345.00*	*$345.00*
Membership Count	9,150	9,150
Membership Dues	6,313,500	6,313,500
Agency Feepayer Count	250	250
Agency Fee Revenue	172,500	172,500
Retired Revenue	10,000	10,000
Subtotal Dues & Fees Revenue	**6,496,000**	**6,496,000**
Long Range Public Relations Plan Revenue	-	-
Jnu bldg lease	18,000	25,000
NEA UniServ	439,098	439,098
NEA Cooperative Project	-	-
NEA USEDP	84,347	85,621
NEA Member Benefits	13,000	13,000
NEA DuShane	50,000	50,000
Defense Contributions	50	50
Bargaining Asst. Contributions	500	500
Educ. Excellence Contributions	150	150
Investment Income (EABC/AOBG)	20,000	20,000
Investment Income-Retired	50,000	50,000
Investment Income	70,000	70,000
Subtotal Other Revenues	**745,145**	**753,419**
TOTAL REVENUE	**7,241,145**	**7,249,419**

NEA-Alaska
NEA-Alaska Retired Program Budget
FY 2017/2018 and 2018/2019

NEA-ALASKA RETIRED LOCAL

Personnel Costs	Number of Positions	2017/2018 Approved Budget	2018/2019 Approved Budget
UniServ	0.00		
Technology	0.00		
Program/Associate	0.00		
Management	0.00		

Program Activity Expenditures

Provides funding for the following activities:
- NEA-Alaska Retired Benefits Forum
- NEA-Alaska Retired Leadership Training
- NEA-Alaska Retired Governance, newsletter, committees

Total Program Activity Expenditures	$25,950	$25,950
TOTAL RETIRED EXPENDITURES	**$25,950**	**$25,950**

NEA-Alaska
Teaching & Learning Program Budget
FY 2017/2018 and 2018/2019

TEACHING & LEARNING

	Number of Positions	2017/2018 Approved Budget	2018/2019 Approved Budget
Personnel Costs			
UniServ	5.00		
Technology	0.17		
Program/Associate	3.13		
Management	0.50		
Salaries & Emp. Benefits		$1,338,103	$1,409,489
Other Contract Benefits		$7,091	$7,110
Total Personnel Costs		$1,345,194	$1,416,599
Program Area Support			
Travel		$96,693	$96,958
Substitutes/Temporary Staff		$12,892	$12,928
General & Administrative Overhead		$150,339	$150,751
Office & Equipment		$38,033	$38,137
Professional Services		$69,361	$69,551
Computer & Equipment		$40,128	$40,238
Capital Purchases		$19,500	$19,553
Total Goal Area Support		$426,946	$428,116
Program Activity Expenditures			
Provides funding for the following activities: - T&L Committees - Leader and Organizational Training and Development			
Total Program Activity Expenditures		$385,960	$384,735
TOTAL T&L EXPENDITURES		**$2,158,100**	**$2,229,450**

NEA-Alaska
UniServ Program Budget
FY 2017/2018 and 2018/2019

UNISERV PROGRAM

	Number of Positions	2017/2018 Approved Budget	2018/2019 Approved Budget
Personnel Costs			
UniServ	5.00		
Technology	0.17		
Program/Associate	3.13		
Management	0.50		
Salaries & Emp. Benefits		$1,338,103	$1,409,489
Other Contract Benefits		$7,091	$7,110
Total Personnel Costs		$1,345,194	$1,416,599
Program Area Support			
Travel		$96,693	$96,958
Substitutes/Temporary Staff		$12,892	$12,928
General & Administrative Overhead		$150,339	$150,751
Office & Equipment		$38,033	$38,137
Professional Services		$69,361	$69,551
Computer & Equipment		$40,128	$40,238
Capital Purchases		$19,500	$19,553
Total Goal Area Support		$426,946	$428,116
Program Activity Expenditures			
Provides funding for the following activities: - Membership Program - Bargaining & Local Assistance - Member Defense			
Total Program Activity Expenditures		$247,500	$247,500
TOTAL UNISERV PROGRAM EXPENDITURES		**$2,019,640**	**$2,092,215**

NEA-Alaska
Public Affairs Program Budget
FY 2017/2018 and 2018/2019

PUBLIC AFFAIRS

	Number of Positions	2017/2018 Approved Budget	2018/2019 Approved Budget
Personnel Costs			
UniServ	1.00		
Technology	0.17		
Program/Associate	1.50		
Management	1.50		
Salaries & Emp. Benefits		$667,517	$699,195
Other Contract Benefits		$3,537	$3,527
Total Personnel Costs		$671,054	$702,722
Program Area Support			
Travel		$48,236	$48,097
Substitutes/Temporary Staff		$6,431	$6,413
General & Administrative Overhead		$74,997	$74,782
Office & Equipment		$18,973	$18,918
Professional Services		$34,601	$34,502
Computer & Equipment		$20,018	$19,960
Capital Purchases		$9,728	$9,700
Total Goal Area Support		$212,984	$212,372
Program Activity Expenditures			
Provides funding for the following activities: - Media Buys - Coalition Building/Community Relations - Political Action - Member Lobbying - Aktivist/Member Communications			
Total Program Activity Expenditures		$697,938	$386,278
TOTAL PUBLIC AFFAIRS EXPENDITURES		**$1,581,976**	**$1,301,372**

NEA-Alaska
Governance Program Budget
FY 2017/2018 and 2018/2019

GOVERNANCE

	Number of Positions	2017/2018 Approved Budget	2018/2019 Approved Budget
Personnel Costs			
UniServ	0.00		
Technology	0.00		
Program/Associate	0.00		
Management	1.00		
Salaries & Emp. Benefits		$200,137	$207,430
Other Contract Benefits		$1,061	$1,046
Total Personnel Costs		$201,198	$208,476
Program Area Support			
Travel		$14,462	$14,269
Substitutes/Temporary Staff		$1,928	$1,903
General & Administrative Overhead		$22,486	$22,186
Office & Equipment		$5,688	$5,612
Professional Services		$10,374	$10,236
Computer & Equipment		$6,002	$5,922
Capital Purchases		$2,917	$2,878
Total Goal Area Support		$63,857	$63,006
Governance			
Provides funding for the following activities: - Board Meetings & Officers - Delegate Assembly - NEA RA - Board Committees			
Total Governance		$633,166	$608,166
TOTAL GOVERNANCE		**$898,221**	**$879,648**

NEA-Alaska
Administration Program Budget
FY 2017/2018 and 2018/2019

ADMINISTRATION

	Number of Positions	2017/2018 Approved Budget	2018/2019 Approved Budget
Personnel Costs			
UniServ	0.00		
Technology	0.50		
Program/Associate	2.00		
Management	1.50		
Salaries & Emp. Benefits		$607,741	$635,529
Other Contract Benefits		$3,221	$3,206
Total Personnel Costs		$610,962	$638,735
Program Area Support			
Travel		$43,916	$43,718
Substitutes/Temporary Staff		$5,855	$5,829
General & Administrative Overhead		$68,281	$67,973
Office & Equipment		$17,274	$17,196
Professional Services		$31,502	$31,360
Computer & Equipment		$18,225	$18,143
Capital Purchases		$8,856	$8,816
Total Goal Area Support		$193,909	$193,035
TOTAL OPERATIONS SUPPORT EXPENDITURES		**$804,871**	**$831,770**

Method of Computation of
NEA-Alaska Service Fee

2017/2018
Membership Year

The portion of the service fee payable to NEA-Alaska has been computed using the guidelines provided NEA-Alaska by General Counsel of the National Education Association and counsel for NEA-Alaska as follows:

1. NEA-Alaska evaluated 2015-2016 actual expenditures as reflected in its most recent audit. In addition, employee time sheets, minutes and agendas of meetings, program and operating expenses were reviewed in calculating the chargeable percentage attributable to activities of the six program areas of NEA-Alaska.

2. 2015-2016 audited expenditures have been analyzed for the program areas of NEA-Alaska: Teaching and Learning, UniServ Program, Public Affairs, Retired Program, Governance, and Administration.

3. The chargeable and non-chargeable expenditure percentages for NEA-Alaska for 2015-2016 have been independently audited.

TEACHING & LEARNING

This program area focuses on professional issues as they pertain to professional development and continuing education, certification, licensure, school and student standards, and in-service programs. It includes Fall Event and Spring Leadership training, Internal Organizing training, ESP oranizational development and National ESP Conference, leadership training, and member promotion and retention activities.

Analysis:

	2015-2016 Actual	Chargeable		Non-chargeable	
Internal Organizing Training	127,189	126,498	99%	691	1%
Fall Event	77,705	64,495	83%	13,210	17%
Leading the Professions	28,730	28,730	100%	0	0%
Member Promotion & Retention	25,523	0	0%	25,523	100%
Jump Start toward National Board Certification Conference	16,308	16,308	100%	0	0%
Leadership Training	12,965	10,113	78%	2,852	22%
ESP Organizational Development & ESP Conference	11,784	8,838	75%	2,946	25%
Spring Leadership	10,000	10,000	100%	0	0%
TOTAL:	310,204	264,982	85%	45,222	15%

UNISERV PROGRAM

This program area includes employee rights and collective bargaining activities. Member defense includes attorney fees subject to reimbursement from NEA under the Unified Legal Services Program (ULSP). The chargeable determination for member defense was made after analyzing the nature of each defense case and each charge for legal advice. The expenditures include training activities and financial assistance to local associations attendant to bargaining unit member advocacy and collective bargaining.

Analysis:

	2015-2016 Actual	Chargeable		Non-chargeable	
Member Defense	122,751	120,296	98%	2,455	2%
Bargaining Training	15,140	15,140	100%	0	0%
Local Assistance	9,878	9,878	100%	0	0%
Bargaining & Grievance Assistance	710	710	100%	0	0%
TOTAL:	148,479	146,024	98%	2,455	2%

PUBLIC AFFAIRS
COMMUNICATIONS & GOVERNMENT RELATIONS

This program area includes line items from the budget for the AKtivist newsletter and web site, media buy, public relations plan, coalitions, booth at state fairs, and member only communications on elections. It also includes line items from the budget for member lobbying, and legislative subscriptions.

Communications Analysis:

The AKtivist is only provided to members so the costs are 100% non-chargeable. The chargeable calculation for the web site was made after analyzing the space for chargeable articles, issues and links. The actual expense for media, PR plan, state fair booths, coalitions, grants and joint communications are 100% non-chargeable since the activities were not used directly in support of collective bargaining or contract adminsitration.

	2015-2016 Actual	Chargeable		Non-chargeable	
Long Range PR Plan	289,700	0	0%	289,700	100%
AKtivist	68,580	0	0%	68,580	100%
Hilltop	60,000	0	0%	60,000	100%
Great Public Schools	38,446	12,687	33%	25,759	67%
Community Relations/State Fairs	20,223	0	0%	20,223	100%
Partnerships for Public Education	16,194	0	0%	16,194	100%
Web Site/Mobile App	12,126	8,124	67%	4,002	33%
Community Outreach Matching Grants	6,940	0	0%	6,940	100%
TOTAL:	512,209	20,811	4%	491,398	96%

Government Relations Analysis:

Communications to members on elections are 100% non-chargeable, as are the expenditures related to lobbying and the NEA-Alaska political effort before the Alaska Legislature, Executive Branch officials, and the public.

	2015-2016 Actual	Chargeable		Non-chargeable	
Member Lobbying	277,444	0	0%	277,444	100%
Alaska's Future	100,000	0	0%	100,000	100%
Member Only Communications on Elections	6,718	0	0%	6,718	100%
TOTAL:	384,162	0	0%	384,162	100%

NEA-ALASKA RETIRED

This program area includes attendance at the Benefits Forum and Leadership Training which relate to preserving the rights of members and gaining leadership skills. The newsletter and governance costs are non-chargeable activities.

Analysis:

	2015-2016 Actual	Chargeable		Non-chargeable	
Governance Costs	8,814	0	0%	8,814	100%
Retired Newsletter	5,035	0	0%	5,035	100%
Benefit Forum and Leadership Training	3,385	3,385	100%	0	0%
TOTAL:	17,234	3,385	20%	13,849	80%

GOVERNANCE

The Governance program area includes costs associated with governing NEA-Alaska: Board (NEA-Alaska board meetings, board subcommittees, the Budget Committee, dues & subscriptions, board retreat and bargaining); Officers (office of the President and Vice-President): Delegate Assembly (NEA-Alaska Delegate Assembly and Delegate Assembly Steering and Rules Committee); and the NEA Representative Assembly.

Analysis:

	2015-2016 Actual	Chargeable		Non-chargeable	
Officers	229,802	211,418	92%	18,384	8%
Delegate Assembly	163,443	122,582	75%	40,861	25%
Board	63,489	55,235	87%	8,254	13%
NEA R.A.	31,825	31,825	100%	0	0%
TOTAL:	488,559	421,060	86%	67,499	14%

ADMINISTRATION

This area of the budget contains all employee costs, office expenses, office rentals, operation costs, equipment, supplies, materials, subscriptions and all other administrative costs.

Eighty-eight percent (88%) of staff time has been determined to be chargeable and has been applied to all administrative costs.

	2015-2016 Actual	Chargeable Administration		Non-chargeable Administration	
Total Administrative Expenditures	5,063,900	4,456,232	88%	607,668	12%

2015-2016 SUMMARY

NOTE: An additional 5% was allocated to non-chargeable expenditures to be conservative in our calculations.

	2015-2016 Actual	Chargeable	Non-chargeable
Additional 5%		(346,237)	346,237

Total Expenditures for the program areas:

	2015-2016 Actual	Chargeable		Non-chargeable	
Total Expenditures	6,924,747	4,966,257	72%	1,958,490	28%

Based on this analysis the service fee for NEA-Alaska for period analyzed is: 72%

NEA-ALASKA, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Years ended August 31, 2016 and 2015

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

NEA-ALASKA, INC. AND SUBSIDIARIES

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ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
NEA-Alaska, Inc. and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of NEA-Alaska, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as of August 31, 2016 and 2015, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NEA-Alaska, Inc. and its subsidiaries 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional information, as listed in the table of contents, is presented for purposes of additional analysis 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 information has been subjected to the auditing procedures applied in the audit 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, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

ERM

November 30, 2016

NEA-ALASKA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,965,640	$ 6,464,979
Restricted cash	22,384	22,128
Investments	2,402,136	2,290,536
Membership dues receivable, net	57,574	406,020
Accounts receivable, net	61,756	50,492
Prepaid expenses	56,831	66,352
Total current assets	10,566,321	9,300,507
PROPERTY AND EQUIPMENT, net of accumulated depreciation	3,321,279	3,430,789
INVESTMENT in Education Association Building Corporation (EABC)	140,213	141,885
OTHER ASSETS, net of accumulated amortization	7,659	9,562
Total assets	$ 14,035,472	$ 12,882,743
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 191,034	$ 167,873
Current portion of long-term debt	86,142	162,900
Due to NEA-National	185,150	180,683
Deferred revenue	136,469	5,872
Accrued leave	124,212	124,057
Total current liabilities	723,007	641,385
LONG-TERM DEBT	1,153,114	1,293,503
Total liabilities	1,876,121	1,934,888
NET ASSETS		
Unrestricted:		
Board designated for capital improvements	622,285	622,285
Board designated for emergency	868,147	867,946
Board designated for contingencies	203,797	203,797
Board designated for long range public relations plan	327,660	279,948
Board designated for retired escrow fund	640,684	585,563
Total board designated net assets	2,662,573	2,559,539
Non-controlling interest in Anchorage Office Building Group (AOBG)	353,758	332,389
Invested in Property and equipment, net of related debt	959,291	954,788
Undesignated	7,968,335	6,969,226
Total unrestricted net assets	11,943,957	10,815,942
Temporarily restricted - PACE	215,394	131,913
Total net assets	12,159,351	10,947,855
Total liabilities and net assets	$ 14,035,472	$ 12,882,743

The accompanying notes to consolidated financial statements are an integral part of this statement.

NEA-ALASKA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended August 31, 2016 and 2015

	2016	2015
Changes in Unrestricted Net Assets from Operating Activities		
REVENUES:		
Membership dues and agency fees	$ 6,453,134	$ 6,373,671
Uniserv grant from NEA-National	397,741	413,037
Other support from NEA-National	489,191	673,528
Public Relations special assessment	336,720	334,430
Investment income (loss)	134,126	(17,416)
Unified State Executive Director Program support from NEA-National	78,809	78,809
United Legal Services Program (ULSP) support from NEA-National	41,677	24,868
Equity in earnings (losses) from investment in EABC	(1,671)	(37,952)
Rental income	117,054	114,672
Other income	5,981	3,027
Total revenues	8,052,762	7,960,674
Net assets released from restrictions	48,605	189,155
Total unrestricted revenues	8,101,367	8,149,829
EXPENSES - NEA-AK and AOBG:		
Salaries and fringe benefits	4,130,181	4,003,348
Outside services	679,809	918,107
Travel and lodging	698,903	806,052
Other expenses	739,414	602,495
Office operations	470,281	404,300
Occupancy	206,159	202,765
Total NEA-AK and AOBG expenses	6,924,747	6,937,067
EXPENSES - PACE	48,605	189,155
Total expenses	6,973,352	7,126,222
Increase in unrestricted net assets from operating activities	1,128,015	1,023,607
Changes in Temporarily Restricted Net Assets		
PACE contributions and interest income	132,086	129,787
Net assets released from restrictions - satisfied by payment of PACE expenses	(48,605)	(189,155)
Increase (decrease) in temporarily restricted net assets	83,481	(59,368)
Increase in net assets before effect of noncontrolling interest	1,211,496	964,239
Increase attributable to noncontrolling interest in Anchorage Office Building Group (AOBG)	(21,369)	(25,828)
Increase in net assets	$ 1,190,127	$ 938,411

The accompanying notes to consolidated financial statements are an integral part of this statement.

NEA-ALASKA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended August 31, 2016 and 2015

	Unrestricted						
	Board Designated Net Assets	Undesignated (including amounts invested in property and equipment)	Total NEA-Alaska	Non-controlling interest in AOBG	Total	Temporarily Restricted - PACE	Total
Balance, August 31, 2014	$ 2,623,913	$ 6,861,861	$ 9,485,774	$ 306,561	$ 9,792,335	$ 191,281	$ 9,983,616
Net change in Board Designated Net Assets	(64,374)	64,374	-	-	-	-	-
Increase in Net Assets attributable NEA and controlling interests	-	938,411	938,411	-	938,411	-	938,411
Increase in Net Assets attributable to noncontrolling interest in AOBG	-	-	-	25,828	25,828	-	25,828
Decrease in Temporarily Restricted Net Assets	-	59,368	59,368	-	59,368	(59,368)	-
Balance, August 31, 2015	2,559,539	7,924,014	10,483,553	332,389	10,815,942	131,913	10,947,855
Net change in Board Designated Net Assets	103,034	(103,034)	-	-	-	-	-
Increase in Net Assets attributable NEA and controlling interests	-	1,190,127	1,190,127	-	1,190,127	-	1,190,127
Increase in Net Assets attributable to noncontrolling interest in AOBG	-	-	-	21,369	21,369	-	21,369
Decrease in Temporarily Restricted Net Assets	-	(83,481)	(83,481)	-	(83,481)	83,481	-
Balance, August 31, 2016	$ 2,662,573	$ 8,927,626	$ 11,590,199	$ 353,758	$ 11,943,957	$ 215,394	$ 12,159,351

The accompanying notes to consolidated financial statements are an integral part of this statement.

NEA-ALASKA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended August 31, 2016 and 2015

	2016	2015
INCREASE IN NET ASSETS	$ 1,190,127	$ 938,411
CASH FLOWS FROM OPERATING ACTIVITIES		
Adjustments needed to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	141,793	144,080
Net unrealized (gain) loss on investments	(108,516)	58,685
Equity in earnings (losses) from investment in EABC	1,671	37,952
Noncontrolling interest in income of consolidated subsidiary	21,369	25,828
Loss on disposal of assets	-	1,397
Changes in assets and liabilities:		
Decrease (increase) in:		
Restricted cash	(256)	198
Membership dues receivable	348,447	(142,731)
Accounts receivable	(11,264)	43,643
Prepaid expenses	9,521	(34,016)
Increase (decrease) in:		
Accounts payable and accrued liabilities	23,161	(62,150)
Due to NEA-National	4,467	(2,915)
Deferred revenue	130,597	(267,451)
Accrued leave	155	10,777
Net cash provided by operating activities	1,751,197	751,708
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(31,016)	(71,223)
Cash from retirement of fixed assets	711	-
Purchases of investments	(3,084)	-
Net cash used for investing activities	(33,389)	(71,223)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(217,147)	(155,851)
Net cash used for financing activities	(217,147)	(155,851)
Net increase in cash and cash equivalents	1,500,661	524,634
CASH AND CASH EQUIVALENTS, beginning of year	6,464,979	5,940,345
CASH AND CASH EQUIVALENTS, end of year	$ 7,965,640	$ 6,464,979
SUPPLEMENTAL DISCLOSURE FOR CASH FLOWS		
Interest paid	$ 64,694	$ 72,243

The accompanying notes to consolidated financial statements are an integral part of this statement.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization
NEA-Alaska, Inc. and Subsidiaries (Anchorage Office Building Group (AOBG) & NEA-Alaska-PACE (PACE)), thereafter collectively referred to as NEA-AK, was organized as an Alaskan nonprofit corporation to promote the highest possible education opportunities for Alaska's children and to be an advocate and representative for the membership. NEA-AK is an affiliate of the National Education Association (NEA-National). Operations are financed principally by membership dues and grants from NEA-National.

PACE was organized as an Alaskan Political Action Committee on Education. Operations are financed principally by members' contributions. PACE committee members determine how funds will be used to support specific issues.

NEA-AK has local affiliates throughout Alaska. NEA-AK has no economic interest in the affiliates; therefore, the affiliates are not included in the accompanying financial statements.

Income Taxes
NEA-Alaska, Inc. is an organization whose nonprofit activities qualify for exemption from income taxes under Section 501(c)(5) of the Internal Revenue Code. NEA-AK receives endorsement revenues which constitute unrelated business taxable income.

PACE files its tax returns on a calendar year basis, while these financial statements are prepared on a fiscal year basis. In accordance with Internal Revenue Section 527, income tax expense is recognized at a rate of approximately 35% on all non-contributed income less applicable expenses.

AOBG files its partnership income return on a fiscal year basis.

Accounting for Uncertainty in Income Taxes
NEA-Alaska, Inc.'s federal informational tax return (Form 990), PACE's federal income tax return and AOBG's federal partnership return of income, are subject to possible examination by the Internal Revenue Service until the expiration of the related statutes of limitations on those tax returns, which, in general, have a three-year statute of limitations. Management has evaluated its tax position for the year ended August 31, 2016 in conformity with accounting principles generally accepted in the United States of America and has determined it has no uncertain tax positions required to be disclosed.

Principles of Consolidation
Generally accepted accounting principles require NEA-AK to consolidate entities in which it has control and an economic interest when that control is evidenced through majority ownership or voting interests. NEA-AK has an economic interest in, and control of both AOBG and PACE. The consolidated financial statements include the accounts of both AOBG and PACE. All significant inter-organizational balances and transactions have been eliminated in consolidation.

Summary of Significant Account Policies
Following is a summary of significant accounting policies used in preparation of the accompanying consolidated financial statements:

Basis of Accounting
NEA-AK's consolidated financial statements have been prepared on the accrual basis of accounting and in accordance with policies generally consistent with those prescribed by the Audit and Accounting Guide for Audits of Certain Nonprofit Organizations, issued by the American Institute of Certified Public Accountants.

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters*. Under FASB ASC 958-210-45-1, NEA-AK 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. Unrestricted net assets are net assets that are not subject to donor-imposed stipulations or restrictions. Temporarily restricted net assets are net assets subject to donor-imposed stipulations that will be met either by actions of NEA-AK or the passage of time. There were no permanently restricted net assets at August 31, 2016 or 2015.

Cash Equivalents
NEA-AK considers cash equivalents to include short-term investments that are readily convertible to known amounts of cash and that present an insignificant risk of changes in fair value due to changes in interest rates or other factors.

Investments
NEA-AK invests in certificates of deposit and marketable securities, consisting primarily of treasury notes, mutual funds, common stocks and government securities. NEA-AK records investments at fair value based on quoted market prices. The change in fair value is included in the statement of activities.

Membership Dues and Accounts Receivable
The carrying value of membership dues and accounts receivable are recorded at the amount of outstanding dues and fees less an allowance for doubtful accounts. A provision for an allowance for doubtful accounts has been recorded based on management's estimation of collectability of accounts. Reserve for dues in arrears was $4,149 and $7,759 for the years ended August 31, 2016 and 2015. See Note 3 for more information on accounts receivable.

Loan Fees
Loan fees of $25,425 associated with the debt for the construction of the Juneau office building and the purchase of the Anchorage office building are being amortized over the life of the loans. Amortization expense amounted to $1,978 for each of the years ended August 31, 2016 and 2015 respectively.

Annual and Sick Leave and Other Benefits
Annual leave vests up to a maximum limit of five days for eligible employees. Sick leave vests up to a maximum limit of 15 days for eligible employees. Vested amounts are recorded as an expense during the period they are earned and a corresponding liability is accrued.

Salaries, payroll taxes, and employee benefits for services rendered are accrued and recorded as expenses in the period in which they are earned.

Revenues and Expenses
Membership dues are recognized as revenue in the applicable membership period, which is the same period as the fiscal year, September 1 to August 31. Dues and advance payments on grants from NEA-National received prior to year end but restricted to program use in periods subsequent to the end of the accounting period in which they are received are recorded as deferred revenues and are recognized as earned when the services are performed. Undesignated grants and support from NEA-National are recognized as revenues when received. United Legal Services Program (ULSP) support (reimbursement for member defense) is recognized when the related expenditures are incurred. Expenses are recognized when incurred.

Depreciation
Property, office furniture and equipment are recorded at cost. The Anchorage and Juneau buildings are depreciated using straight line method over a 39 year life. Office furniture and equipment costing more than $500 are depreciated over their estimated useful lives of three to eight years using the straight-line method.

Board Designations
The board maintains several designations of fund balances that are established to ensure that adequate reserves are maintained for the benefit of its members, and to set aside funds for future plans. The designations are evaluated periodically.

Management Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events
NEA-AK has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the consolidated financial statements were available to be issued.

NOTE 2 – RESTRICTED CASH

NEA-AK's membership in the National Education Employees Assistance Fund (NEEAF) requires that it either obtain a letter of credit for its own account in favor of NEEAF, incorporate a restriction into its line of credit which would effectively enable the NEEAF to draw down on the line an amount up to that required by the letter of credit option or establish a separate restricted fund, of a dollar amount at least equal to the letter of credit option, with the funds being held for potential use by NEEAF. NEA-AK's board of directors has decided to fulfill NEEAF's membership requirements by ensuring that a minimum balance per active membership is maintained in a restricted cash account and the Board has designated a similar amount in the emergency fund.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of August 31 consist of the following:

NEA-AK accounts receivable:	2016	2015
Anchorage Education Association	$ 21,518	$ 22,231
Fairbank Education Association	1,022	5,030
NEA-National	20,453	9,915
Education Support Staff Association	3,041	609
Employee and other local affiliates	5,601	7,059
	51,635	44,844
Less allowance for doubtful accounts	(2,380)	(1,888)
	49,255	42,956
AOBG accounts receivable -		
Anchorage Education Association	12,501	7,536
Total	$ 61,756	$ 50,492

NOTE 4 – INVESTMENTS

Investments are carried at fair value and consist of the following at August 31:

	2016	2015
Mutual funds		
Equities	$ 815,760	$ 722,844
Fixed income	1,228,244	1,253,314
Common stock	358,132	314,378
	$ 2,402,136	$ 2,290,536

The following schedule is a summary of investment income (loss) as reflected in the consolidated statements of activities:

	2016	2015
Interest, dividends and fees, net	$ 64,738	$ 56,577
Realized gain (loss) on investments	(42,470)	53,870
Unrealized gain (loss) on investments	111,858	(127,863)
	$ 134,126	$ (17,416)

NEA-AK incurred investment fees of $18,148 and $16,921 for the years ended August 31, 2016 and 2015, respectively.

NOTE 5 – FAIR VALUE MEASUREMENT

FASB ASC 820 *Fair Value Measurement and Disclosure* defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principle or most advantageous market available to the entity in an orderly transaction between market participants. FASB ASC 820 also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets as liabilities. The three levels include Level 1 (quoted prices in active markets for identical assets), Level 2 (significant other observable inputs), and Level 3 (significant unobservable inputs).

Fair values of assets measured on a recurring basis at August 31, 2016 are as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Equities	$ 815,760	$ -	$ -	$ 815,760
Fixed income	1,228,244	-	-	1,228,244
Common stock	358,132	-	-	358,132
Total investments measured at fair value	$ 2,402,136	$ -	$ -	$ 2,402,136

Fair values of assets measured on a recurring basis at August 31, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Equities	$ 722,844	$ -	$ -	$ 722,844
Fixed income	1,253,314	-	-	1,253,314
Common stock	314,378	-	-	314,378
Total investments measured at fair value	$ 2,290,536	$ -	$ -	$ 2,290,536

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

NEA-AK has concentrated its credit risk for cash and cash equivalents by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). NEA-AK has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

NEA-AK also maintains an automatic repurchase sweep agreement with First National Bank of Alaska (FNBA) that calls for FNBA to invest excess balances in NEA-AK's depository account overnight in securities as defined in the Master Repurchase Agreement and held by FNBA. Funds subject to the repurchase are not insured by FDIC, but are collateralized by the securities sold to NEA-AK. At August 31, 2016, total amount of cash and equivalents subject to this agreement was $6,283,364.

NOTE 7 – PROPERTY AND EQUIPMENT

A summary of property and equipment, at cost, as of August 31 is as follows:

	2016	2015
Land	$ 485,223	$ 485,223
Building	3,472,944	3,472,944
Furniture and equipment	536,684	519,742
	4,494,851	4,477,909
Less accumulated depreciation	(1,173,572)	(1,047,120)
	$ 3,321,279	$ 3,430,789

Depreciation expense was $139,816 and $142,103 for the years ended August 31, 2016 and 2015, respectively.

NOTE 8 – INVESTMENT IN EDUCATION ASSOCIATION BUILDING CORPORATION (EABC)

During fiscal year 1992, NEA-AK and Fairbanks Education Association (FEA) entered into an agreement to form an Alaska nonprofit corporation, EABC. EABC was formed for the purpose of acquiring and managing an office building. The investment is accounted for under the equity method of accounting. Each participant is an equal 50% partner.

Summary financial information for EABC as of August 31 is as follows:

	2016	2015
Current assets	$ 71,915	$ 126,387
Land, building, and equipment, net of accumulated depreciation	239,261	253,721
Current liabilities	(30,751)	(96,338)
Equity	$ 280,425	$ 283,770
Net loss	$ (3,344)	$ (75,903)

NOTE 9 – ANCHORAGE OFFICE BUILDING GROUP, LLC (AOBG)

In July 2003, NEA-AK and Anchorage Education Association (AEA) entered into an agreement to form a limited liability company, Anchorage Office Building Group, LLC. AOBG was organized to own and maintain real property and a commercial office building in Anchorage. NEA-AK owns 75% and AEA owns 25%, a non-controlling interest, of AOBG. In January 2004, AOBG purchased real property and a commercial building for $1,000,000. The consolidated financial statements include the accounts of AOBG as a majority-owned limited liability company.

NOTE 10 – LONG-TERM DEBT

Long-term debt consists of the following as of August 31:

	2016	2015
Note Payable, due April 1, 2016, fixed interest rate of 5.12%, payable in monthly installments of $7,229 until paid in full, secured by land and building.	$ -	$ 136,518
Note Payable, due August 15, 2029, variable interest rate calculated at 1 percentage point above the Wall Street Journal index, not less than 4.95% or greater than 8.75% per annum, 4.95% at August 31, 2016, payable in monthly installments of $12,086 through August 15, 2029, secured by land and building.	1,239,256	1,319,885
	1,239,256	1,456,403
Less current portion	86,142	162,900
Long-term debt, excluding current portion	$ 1,153,114	$ 1,293,503

At August 31, 2016, obligations for future payments of long-term debt are as follows:

Year ended August 31:	
2016	$ 86,142
2017	89,977
2018	94,533
2019	99,320
2020	104,349
Thereafter	764,935
	$ 1,239,256

Subsequent to year-end, NEA-AK retired its $1,239,256 note payable described above.

NOTE 11 – USEDP SUPPORT FROM NEA-NATIONAL

NEA-AK is qualified to receive reimbursement for 30% of its executive director's salary and benefits under NEA-National's Unified State Executive Director Program (USEDP). NEA-National paid NEA-AK $78,809 and $78,809 for the years ended August 31, 2016 and 2015, respectively.

NOTE 12 – COMMITMENTS

NEA-AK's rental expense for the lease of office space in Anchorage and Fairbanks amounted to $232,684 and $222,949 for the years ended August 31, 2016 and 2015, respectively.

One local affiliate and the Public Education Health Trust lease the use of office space and equipment in Anchorage from AOBG. Lease income amounted to $91,980 and $90,102 for the years ended August 31, 2016 and 2015, respectively.

NOTE 13 – DEFINED CONTRIBUTION PLAN

NEA-AK maintains a 401(k) Retirement Plan and Trust. There are no age or service requirements to participate in the plan for non-temporary employees. All other employees are eligible to participate upon attainment of age 21 and completion of one year of service.

An employee becomes fully vested in their account upon entry to the plan. NEA-AK contributes an amount equal to the amount required by the contract(s) under which the employee worked during the plan year, but not less than 3% of such participant's compensation. Total employer contributions to the plan, which annually average approximately 20% of employee salaries, were $538,380 and $525,741 for the years ended August 31, 2016 and 2015, respectively. A portion of the executive director's benefits was reimbursed by NEA-National, as described in Note 11.

NOTE 14 – RELATED PARTY TRANSACTIONS

Commencing in fiscal year 1992, NEA-AK began renting office facilities in Fairbanks from EABC (a 50% owned company). Annual rent payments to EABC amounted to $46,465 during fiscal years ended August 31, 2016 and 2015.

A portion of the membership dues collected by NEA-AK is on behalf of the NEA-National and local affiliates. The amounts collected are recorded as a liability until such time they are remitted to the affiliate. The liability to the NEA-National at August 31, 2016 and 2015 is $185,150 and $180,683, respectively. Included in accounts payable at August 31, 2016 and 2015 is $59,853 and $23,957, respectively, owed to NEA-Alaska local affiliates, employees, and board members for reimbursement of various expenses.

NOTE 15 – INCOME TAXES

In accordance with the applicable provisions of the Internal Revenue Code, Section 511(a), and similar state tax statues, NEA-AK is subject to an income tax on net taxable income from endorsements and net advertising income which are activities not directly related to NEA-AK's tax exempt purpose. NEA-AK did not incur any significant federal or state income tax expense from unrelated business income for these activities for the years ended August 31, 2016 and 2015, respectively.

In accordance with the applicable provisions of the Internal Revenue Code, Section 527, and similar state statues, PACE is subject to an income tax on all non-contributed income less expenses. PACE did not incur any federal or state income tax expense from unrelated business income for these activities for the years ended August 31, 2016 and 2015, respectively.

Income tax expense for the years ended August 31, 2016 and 2015 differed from the amounts computed by applying the federal statutory rates to pre-tax income because NEA-AK and PACE are subject to income tax only on its endorsement and net advertising revenues.

NOTE 16 – EMPLOYEE NEGOTIATED AGREEMENT

The bargained agreement between NEA-AK and the National Support Organization – Alaska expires August 31, 2017. Approximately 82% of the current employees of NEA-AK are covered by the negotiated agreement.

NEA-ALASKA, INC. AND SUBSIDIARIES

Consolidating Statement of Financial Position

August 31, 2016

	NEA-AK	AOBG	PACE	Eliminating Entries	Consolidated Amounts
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 7,490,135	$ 271,127	$ 204,378	$ -	$ 7,965,640
Restricted cash	22,384	-	-	-	22,384
Investments	3,463,410	-	-	(1,061,274)	2,402,136
Membership dues receivable, net	46,475	-	11,099	-	57,574
Accounts receivable, net	49,255	12,501	-	-	61,756
Prepaid expenses	47,200	9,631	-	-	56,831
Total current assets	11,118,859	293,259	215,477	(1,061,274)	10,566,321
PROPERTY AND EQUIPMENT, net of accumulated depreciation	2,198,547	1,122,732	-	-	3,321,279
INVESTMENT in Education Association Building Corporation (EABC)	140,213	-	-	-	140,213
OTHER ASSETS, net of accumulated amortization	6,375	1,284	-	-	7,659
Total assets	$ 13,463,994	$ 1,417,275	$ 215,477	$ (1,061,274)	$ 14,035,472
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	$ 188,708	$ 2,243	$ 83	$ -	$ 191,034
Current portion of long-term debt	86,142	-	-	-	86,142
Due to NEA-National	185,150	-	-	-	185,150
Deferred revenue	136,469	-	-	-	136,469
Accrued leave	124,212	-	-	-	124,212
Total current liabilities	720,681	2,243	83	-	723,007
LONG-TERM DEBT	1,153,114	-	-	-	1,153,114
Total liabilities	1,873,795	2,243	83	-	1,876,121
NET ASSETS					
Unrestricted					
Board designated for capital improvements	622,285	-	-	-	622,285
Board designated for emergency	868,147	-	-	-	868,147
Board designated for contingencies	203,797	-	-	-	203,797
Board designated for long range public relations plan	327,660	-	-	-	327,660
Board designated for retired escrow fund	640,684	-	-	-	640,684
Total board designated net assets	2,662,573	-	-	-	2,662,573
Non-controlling interest in Alaska Office Building Group (AOBG)	-	159,750	-	194,008	353,758
Invested in property and equipment, net of related debt	959,291	1,122,732	-	(1,122,732)	959,291
Undesignated	7,968,335	132,550	-	(132,550)	7,968,335
Total unrestricted net assets	11,590,199	1,415,032	-	(1,061,274)	11,943,957
Temporarily restricted - PACE	-	-	215,394	-	215,394
Total net assets	11,590,199	1,415,032	215,394	(1,061,274)	12,159,351
Total liabilities and net assets	$ 13,463,994	$ 1,417,275	$ 215,477	$ (1,061,274)	$ 14,035,472

See accompanying independent auditor's report.

NEA-ALASKA, INC. AND SUBSIDIARIES

Consolidating Statement of Financial Position

August 31, 2015

	NEA-AK	AOBG	PACE	Eliminating	Consolidated Amounts
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 6,063,276	$ 299,991	$ 101,712	$ -	$ 6,464,979
Restricted cash	22,128	-	-	-	22,128
Investments	3,287,705	-	-	(997,169)	2,290,536
Membership dues receivable, net	375,224	-	30,796	-	406,020
Accounts receivable, net	42,956	7,536	-	-	50,492
Prepaid expenses	56,916	9,436	-	-	66,352
Total current assets	9,848,205	316,963	132,508	(997,169)	9,300,507
PROPERTY AND EQUIPMENT, net of accumulated depreciation	2,274,673	1,156,116	-	-	3,430,789
INVESTMENT in Education Association Building Corporation (EABC)	141,885	-	-	-	141,885
OTHER ASSETS, net of accumulated amortization	6,875	2,687	-	-	9,562
Total assets	$ 12,271,638	$ 1,475,766	$ 132,508	$ (997,169)	$ 12,882,743
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	$ 157,588	$ 9,690	$ 595	$ -	$ 167,873
Current portion of long-term debt	81,344	81,556	-	-	162,900
Due to NEA-National	180,683	-	-	-	180,683
Deferred revenue	5,872	-	-	-	5,872
Accrued leave	124,057	-	-	-	124,057
Total current liabilities	549,544	91,246	595	-	641,385
LONG-TERM DEBT	1,238,541	54,962	-	-	1,293,503
Total liabilities	1,788,085	146,208	595	-	1,934,888
NET ASSETS					
Unrestricted					
Board designated for capital improvements	622,285	-	-	-	622,285
Board designated for emergency	867,946	-	-	-	867,946
Board designated for contingencies	203,797	-	-	-	203,797
Board designated for long range public relations plan	279,948	-	-	-	279,948
Board designated for retired escrow fund	585,563	-	-	-	585,563
Total board designated net assets	2,559,539	-	-	-	2,559,539
Non-controlling interest in Alaska Office Building Group (AOBG)	-	159,750	-	172,639	332,389
Invested in property and equipment, net of related debt	954,788	1,019,598	-	(1,019,598)	954,788
Undesignated	6,969,226	150,210	-	(150,210)	6,969,226
Total unrestricted net assets	10,483,553	1,329,558	-	(997,169)	10,815,942
Temporarily restricted - PACE	-	-	131,913	-	131,913
Total net assets	10,483,553	1,329,558	131,913	(997,169)	10,947,855
Total liabilities and net assets	$ 12,271,638	$ 1,475,766	$ 132,508	$ (997,169)	$ 12,882,743

See accompanying independent auditor's report.

NEA-ALASKA, INC. AND SUBSIDIARIES

Consolidating Statement of Activities

Year Ended August 31, 2016

	NEA-AK	AOBG	PACE	Eliminating Entries	Consolidated Amounts
Changes in Unrestricted Net Assets from Operating Activities					
REVENUES					
Membership dues and agency fees	$ 6,453,134	$ -	$ -	$ -	$ 6,453,134
Uniserv grant from NEA-National	397,741	-	-	-	397,741
Other support from NEA-National	489,191	-	-	-	489,191
Public Relations special assessment	336,720	-	-	-	336,720
Investment income (loss)	134,126	-	-	-	134,126
Unified State Executive Director Program support from NEA-National	78,809	-	-	-	78,809
United Legal Services Program (ULSP) support from NEA-National	41,677	-	-	-	41,677
Equity in earnings (losses) from investment in EABC	62,434	-	-	(64,105)	(1,671)
Rental income	25,074	260,844	-	(168,864)	117,054
Other income	5,981	-	-	-	5,981
Total revenues	8,024,887	260,844	-	(232,969)	8,052,762
Net assets released from restrictions	-	-	48,605	-	48,605
Total unrestricted revenues	8,024,887	260,844	48,605	(232,969)	8,101,367
EXPENSES - NEA-AK and AOBG					
Salaries and fringe benefits	4,130,181	-	-	-	4,130,181
Travel and lodging	698,903	-	-	-	698,903
Other expenses	736,260	3,154	-	-	739,414
Outside services	678,444	1,365	-	-	679,809
Office operations	378,736	91,545	-	-	470,281
Occupancy	295,717	79,306	-	(168,864)	206,159
Total NEA-AK and AOBG expenses	6,918,241	175,370	-	(168,864)	6,924,747
EXPENSES - PACE	-	-	48,605	-	48,605
Total expenses	6,918,241	175,370	48,605	(168,864)	6,973,352
Increase (decrease) in unrestricted net assets from operating activities	1,106,646	85,474	-	(64,105)	1,128,015
Changes in Temporarily Restricted Net Assets					
PACE contributions and interest income	-	-	132,086	-	132,086
Net assets released from restrictions - satisfied by payment of PACE expenses	-	-	(48,605)	-	(48,605)
Increase in temporarily restricted net assets	-	-	83,481	-	83,481
Increase in net assets before effect of noncontrolling interest	1,106,646	85,474	83,481	(64,105)	1,211,496
Increase attributable to noncontrolling interest in Anchorage Office Building Group (AOBG)	-	-	-	(21,369)	(21,369)
Increase in net assets	$ 1,106,646	$ 85,474	$ 83,481	$ (85,474)	$ 1,190,127

See accompanying independent auditor's report.

NEA-ALASKA, INC. AND SUBSIDIARIES

Consolidating Statement of Activities

Year Ended August 31, 2015

	NEA-AK	AOBG	PACE	Eliminating Entries	Consolidated Amounts
Changes in Unrestricted Net Assets from Operating Activities					
REVENUES					
Membership dues and agency fees	$ 6,373,671	$ -	$ -	$ -	$ 6,373,671
Uniserv grant from NEA-National	413,037	-	-	-	413,037
Other support from NEA-National	673,528	-	-	-	673,528
Public Relations special assessment	334,430	-	-	-	334,430
Investment income (loss)	(17,416)	-	-	-	(17,416)
Unified State Executive Director Program support from NEA-National	78,809	-	-	-	78,809
United Legal Services Program (ULSP) support from NEA-National	24,868	-	-	-	24,868
Equity in earnings (losses) from investment in EABC	39,533	-	-	(77,485)	(37,952)
Rental income	24,570	252,414	-	(162,312)	114,672
Other income	3,027	-	-	-	3,027
Total revenues	7,948,057	252,414	-	(239,797)	7,960,674
Net assets released from restrictions	-	-	189,155	-	189,155
Total unrestricted revenues	7,948,057	252,414	189,155	(239,797)	8,149,829
EXPENSES - NEA-AK and AOBG					
Salaries and fringe benefits	4,003,348	-	-	-	4,003,348
Travel and lodging	806,052	-	-	-	806,052
Other expenses	593,661	8,834	-	-	602,495
Outside services	916,742	1,365	-	-	918,107
Office operations	341,503	62,797	-	-	404,300
Occupancy	288,972	76,105	-	(162,312)	202,765
Total NEA-AK and AOBG expenses	6,950,278	149,101	-	(162,312)	6,937,067
EXPENSES - PACE	-	-	189,155	-	189,155
Total expenses	6,950,278	149,101	189,155	(162,312)	7,126,222
Increase (decrease) in unrestricted net assets from operating activities	997,779	103,313	-	(77,485)	1,023,607
Changes in Temporarily Restricted Net Assets					
PACE contributions and interest income	-	-	129,787	-	129,787
Net assets released from restrictions - satisfied by payment of PACE Expenses	-	-	(189,155)	-	(189,155)
Decrease in temporarily restricted net assets	-	-	(59,368)	-	(59,368)
Increase in net assets before effect of noncontrolling interest	997,779	103,313	(59,368)	(77,485)	964,239
Increase attributable to noncontrolling interest in Anchorage Office Building Group (AOBG)	-	-	-	(25,828)	(25,828)
Increase in net assets	$ 997,779	$ 103,313	$ (59,368)	$ (103,313)	$ 938,411

See accompanying independent auditor's report.

NEA-ALASKA, INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULE OF EXPENSES - NEA-ALASKA, INC. AND AOBG

Years Ended August 31, 2016 and 2015

	2016	2015
Salaries and fringe benefits		
Salaries	$ 2,640,853	$ 2,566,758
Retirement contributions	538,380	525,741
Health insurance	632,449	588,527
Social security	197,184	192,054
Severance/leave	21,124	39,664
Workers' compensation	20,711	18,561
Other benefits	35,602	32,199
Long-term disability	17,354	15,136
Life insurance	13,314	12,972
Federal and state unemployment	13,210	11,736
Total salaries and fringe benefits	4,130,181	4,003,348
Travel and lodging		
Air travel	297,884	356,475
Lodging	133,046	145,913
Meals	159,797	197,633
Car rental/mileage	67,332	62,004
Miscellaneous travel	26,674	26,721
Staff search/hire	4,658	5,964
Conference/registration fees	9,512	11,342
Total travel and lodging	698,903	806,052
Occupancy		
Rent	63,820	60,637
Utilities	46,712	48,817
Taxes/penalties	36,791	36,683
Custodial services	29,496	28,367
Building insurance	21,332	20,287
Business and travel insurance	8,008	7,974
Total occupancy	206,159	202,765
Office operations		
Depreciation and amortization	141,794	144,081
Telephone	71,693	68,017
Maintenance	101,412	51,333
Postage	43,534	57,001
Supplies	30,057	35,322
Miscellaneous office expense	46,935	21,074
Equipment rental	34,338	37,547
Loss on disposal of equipment	712	1,396
Dues arrearage	(194)	(11,471)
Total office operations	470,281	404,300

(continued)

See accompanying independent auditor's report.

NEA-ALASKA, INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULE OF EXPENSES - NEA-ALASKA, INC. AND AOBG

Years Ended August 31, 2016 and 2015

	2016	2015
Outside services		
Contractual	284,428	587,640
Legal fees - corporate	141,574	118,313
Printing	100,610	108,406
Legal defense	122,421	63,454
Audit and accounting services	30,776	40,294
Total outside services	679,809	918,107
Other expenses		
Photography, advertising and community relations	454,901	414,911
Interest expense	67,047	75,465
Grants to locals	92,079	48,750
Dues and subscriptions	25,027	37,536
Moving expenses	-	2,223
Training materials	360	13,010
Bargaining assistance	-	10,600
Contribution	100,000	-
Total other expenses	739,414	602,495
Total expenses	$ 6,924,747	$ 6,937,067

See accompanying independent auditor's report.

NEA-ALASKA, INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULES OF AGENCY FEE
CHARGEABLE AND NON-CHARGEABLE EXPENDITURES - NEA-ALASKA, INC. AND AOBG

Years Ended August 31, 2016 and 2015

	2016		
	Chargeable expenditures	Non-chargeable expenditures	Total expenditures
Administration	$ 4,456,232	$ 607,668	$ 5,063,900
Governance	421,060	67,499	488,559
NEA-Alaska retired	3,385	13,849	17,234
UniServ program	146,024	2,455	148,479
Teaching and learning	264,982	45,222	310,204
Communications	20,811	491,398	512,209
Government relations	-	384,162	384,162
	5,312,494	1,612,253	6,924,747
Additional 5% allocation to non-chargeable	(346,237)	346,237	-
	$ 4,966,257	$ 1,958,490	$ 6,924,747
Total percentage allocable	72%	28%	100%

	2015		
	Chargeable expenditures	Non-chargeable expenditures	Total expenditures
Administration	$ 4,142,212	$ 730,979	$ 4,873,191
Governance	471,157	74,455	545,612
NEA-Alaska retired	4,271	19,565	23,836
UniServ program	77,149	-	77,149
Teaching and learning	208,209	85,822	294,031
Communications	74,629	542,428	617,057
Government relations	-	506,191	506,191
	4,977,627	1,959,440	6,937,067
Additional 3% allocation to non-chargeable	(208,112)	208,112	-
	$ 4,769,515	$ 2,167,552	$ 6,937,067
Total percentage allocable	69%	31%	100%

See accompanying independent auditor's report.

Agency Fee Chargeable and Non-Chargeable Expenditures

NEA-AK collects agency or service fees from nonmembers of NEA-AK. These nonmembers are referred to as "agency fee payers." NEA-AK is required by law to have procedures in effect to determine the amount of its expenditures that can be charged to objecting agency fee payers. The procedures that NEA-AK applies have received the approval of arbitrators, public sector labor boards and courts. The legal interpretations and standards which NEA-AK currently utilizes to make its determinations of chargeability have been developed by the National Education Association Office General Counsel on the basis of relevant case law.

NEA-AK has analyzed its expenditures and determined which of those expenditures were chargeable to objecting agency fee payers and which of them were non-chargeable to those fee payers. Based on relevant federal and state judicial and administrative decisions, it was determined that chargeable activities and expenditures were related to the following matters using guidelines which were provided to NEA-AK by the General Counsel of the National Education Association:

1) Collecting bargaining.

2) Preparation for strikes and activities undertaken in connection with lawful strikes.

3) Contract administration.

4) Grievance processing, including arbitration.

5) Specific terms and conditions of employment that may be negotiable, such as wages, hours, benefits, working conditions, employment discrimination, promotions, discipline, discharge, retirement benefits, performance evaluation, overtime compensation, environmental issues in the workplace, etc.

6) Communications with bargaining unit members regarding services they receive.

7) Professional development (including teacher education, continuing education, and certification) curriculum development and implementation, teaching methods and other instructional skills, information and materials intended for instructional purposes, site-based decision making, and education generally, except to the extent that such activities and expenditures involve lobbying and other political activities, membership organizing or recruitment activities, and/or external public relations.

8) Uses of technology in education.

9) Publications, portions of publications or any other communications which involve chargeable issues, such as those related to activities or expenditures listed herein as chargeable, if the publications are provided to agency fee payers.

10) Unemployment and job opportunities in education.

11) Insurance programs and other benefits for which members and agency fee payers are eligible.

12) NEA-Alaska award program.

13) Association leadership and management skills training and techniques, strategic planning.

14) NEA-Alaska Delegate Assembly, Executive Committee and Board of Directors.

15) Employee relations and NEA-Alaska staff grievances.

It was further determined that non chargeable activities and expenditures were related to the following matters:

1) Lobbying and political efforts before state legislatures, state administrative agencies, Congress, federal agencies, or other executive branch officials, and ballot initiatives, unless specifically related to ratification or implementation of a collective bargaining agreement.

2) External public relations (unless specifically related to collective bargaining or contract administration), American Education Week, National Teacher Day.

3) Litigation, unless specifically related to collective bargaining, contract administration or organizational maintenance.

4) Voter registration and get-out-the vote activities for members, and campaign techniques (i.e., training programs designed to prepare leaders, staff and/or members to work with members in support of candidates for any public office).

5) Supporting or contributing to charitable, religious, or ideological causes (e.g., direct, or in-kind contributions to such causes, expenditures designed primarily to assist such causes, and payments to fund raisers for groups which promote such causes).

6) Supporting political organizations or candidates for public office (e.g., activities in connection with the endorsement of political candidates, activities in connection with NEA-Alaska-PACE, including its administration, consulting with/or providing training for state/local political action committee).

7) Publications, portions of publications or any other communication which involve non chargeable issues, such as those related to activities or expenditures listed herein as non chargeable, if the publications are provided to agency fee payers.

8) Organizing or recruiting new members, or establishing new or expended bargaining units, or defending against challenges to exclusive bargaining representative status.

9) Various ideological issues unrelated to collective bargaining or organizational maintenance, such as reproductive freedom (including abortion and birth control), anti-flag burning laws, balanced budget amendment, prayer in school, school vouchers, race relations in Africa and Asia, energy conservation, human rights issues, nuclear arms freeze, child support enforcement, judicial or executive appointments, students scholarships, etc.

10) Illegal job actions and administration of the National Education Employees Assistance Fund.

11) Monitoring and opposing activities of groups and individuals whose purpose is to undermine public education.

12) Members-only benefits, (e.g. DUES-TAB insurance).

13) NEA-Retired and NEA-AK Student Program activities.

14) International relations, the Education International.

NEA-Alaska evaluated fiscal years 2016 and 2015 actual activities, employee timesheets and program and operating expenses in the context of the criteria listed above, to calculate the chargeable amounts to activities of nine cost centers. NEA-Alaska has included a 5% and 3% allocation to non-chargeable expenditures in fiscal years 2016 and 2015, respectively, to ensure against any possibility that there may be some unexpected variation in expenditures.

NEA-ALASKA, INC. AND SUBSIDIARIES

SUPPLEMENTAL SCHEDULE OF EXPENSES - PACE

Years Ended August 31, 2016 and 2015

	2016	2015
EXPENSES		
Polling	$ -	$ 2,985
Postage and printing	4,433	4,438
Contract services	6,260	6,296
Travel	-	705
Contributions	35,545	166,875
Rebates	2,284	1,000
Office expense	83	6,856
Total expenses	$ 48,605	$ 189,155

See accompanying independent auditor's report.