

Annual
Financial Report

of the

New Jersey School Boards Association

For the Years Ended June 30, 2010 and 2009

Prepared By

New Jersey School Boards Association

Finance and Operational Services Department

NEW JERSEY SCHOOL BOARDS ASSOCIATION

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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INDEPENDENT AUDITOR'S REPORT

New Jersey School Boards Association
413 West State Street
Trenton, New Jersey 08605

We have audited the accompanying statements of net assets of the New Jersey School Boards Association at June 30, 2010 and 2009 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey School Boards Association as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

SUPLEE, CLOONEY & COMPANY

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 2010, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and the required supplementary information, as listed in the foregoing table of contents, respectively, are not a required part of the basic financial statements but are supplementary information required by the U.S. Generally Accepted Accounting Principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

August 11, 2010

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SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

New Jersey School Boards Association
413 West State Street
Trenton, New Jersey 08605

We have audited the financial statements of the New Jersey School Boards Association for the year ended June 30, 2010, and have issued our report thereon dated August 11, 2010, in which we expressed an unqualified opinion. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Jersey School Boards Association's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of New Jersey School Boards Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Jersey School Boards Association's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the New Jersey School Boards Association's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

SUPLEE, CLOONEY & COMPANY

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the New Jersey School Boards Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of the New Jersey School Boards Association and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

August 11, 2010

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MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

In this section of the annual report, management of the New Jersey School Boards Association (the "Association") presents a narrative discussion and analysis of the Association's financial activities for the years ended June 30, 2010 and 2009. This section of the report should be read in conjunction with the Association's audited financial statements and supplementary information for the years ended June 30, 2010 and 2009. The Association's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis is an element of a reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Audit Assurance

The unqualified opinion of our independent auditors, Suplee Clooney & Company is included in this report.

Financial Highlights

Total assets at year-end were \$17.7 million this year versus \$16.8 million last year. Total liabilities were \$3.3 million, an increase over last year of 1.7 million. This change was mostly attributable to HQ renovation costs in June 2010 that were accrued in the financials and paid in July 2010 of \$903 thousand, a decrease in prepaid revenue of \$590 thousand from Workshop exhibitors (money received after June 30, 2010), and an increase in liabilities of \$1.2 million representing the \$2,000 credit given to each district for training during 2010-2011 (see Use of Surplus below).

Operating revenues totaled \$9.8 million, which is a decrease of \$450 thousand or 4.4% from the prior year operating revenue of \$10.3 million.

The major source of revenue is from Dues which totaled \$7.5 million. This represents a decrease of \$123 thousand over 2009 Dues of \$7.6 million. Another major source of revenue is from conferences, seminars and workshops which totaled \$1.7 million a decrease of \$264.2 thousand from 2009 revenues of \$1.9 million. This decrease was primarily attributable to fewer exhibitors at the annual Workshop in Atlantic City and due to no longer charging members for new board member orientation, a service now included with their membership Dues.

Operating expenses held steady at \$9.6 million from year to year. Salaries and employee benefits decreased by \$260 thousand due to a reduction in staff of five people. This decrease was offset by a similar increase in occupancy and office expenses due to the need for temporary housing while the renovation of the headquarters takes place.

Cash and Investments of \$10 million decreased \$2.2 million or 18.2% over prior year's total of \$12.3 million. This decrease is primarily due to a use of funds of \$3.5 million for the renovation of the headquarters and proceeds of \$262 thousand from the sale of the southern New Jersey office condo and an increase of \$1.1 million from operations.

Long Term Debt of \$8.7 thousand decreased \$10 thousand or 53.4% from prior year's total of \$18.7 thousand.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Association's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Association's budget, and bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Association using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Assets; a Statement of Revenues, Expenses and Changes to Net Assets; a Statement of Cash Flows; and notes to the financial statements.

The Statement of Net Assets presents the financial position of the Association on a full accrual historical cost basis. This statement presents information on all of the Association's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets is one indicator of whether the financial position of the Association is improving or deteriorating.

While the Statement of Net Assets provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Assets presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets occurs.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Association's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

The New Jersey School Boards Association was created by the State of New Jersey *N.J.S.A. 18A:6-45* in 1914. The Association is a state federation of all district boards of education. Each district is required to pay dues annually to the Association. The mission of the Association is to investigate such subjects relating to education in its various branches as it may think proper and to aid all movements for the improvement of educational affairs in the state.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning:

New Jersey School Boards Association
Condensed Financial Statements
Condensed Statement of Net Assets

	June 30		Variance	
	<u>2010</u>	<u>2009</u>	<u>Dollars</u>	<u>%</u>
Assets				
Cash and Investments	\$ 10,040,972	\$ 12,267,996	\$ (2,227,024)	-18.2%
Accounts Receivable	212,527	243,694	(31,167)	-12.8%
Property, Plant and Equipment - Net	6,972,012	3,598,075	3,373,937	93.8%
Other Assets	469,408	709,048	(239,640)	-33.8%
Total Assets	<u>\$ 17,694,919</u>	<u>\$ 16,818,813</u>	<u>\$ 876,106</u>	<u>5.2%</u>
Liabilities:				
Current Liabilities	\$ 3,306,234	\$ 1,607,047	\$ 1,699,187	105.7%
Long Term Debt	8,718	18,710	(9,992)	-53.4%
Total Liabilities	<u>3,314,952</u>	<u>1,625,757</u>	<u>1,689,195</u>	<u>103.9%</u>
Net Assets:				
Board Designated	4,686,106	7,216,399	(2,530,293)	-35.1%
Unrestricted	2,680,752	4,209,044	(1,528,292)	-36.3%
Net Investment in Facilities	6,972,012	3,726,676	3,245,336	87.1%
Restricted	41,097	40,937	160	0.4%
	<u>14,379,967</u>	<u>15,193,056</u>	<u>(813,089)</u>	<u>-5.4%</u>
Total Liabilities and Net Assets	<u>\$ 17,694,919</u>	<u>\$ 16,818,813</u>	<u>\$ 876,106</u>	<u>5.2%</u>

Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	June 30		Variance	
	<u>2010</u>	<u>2009</u>	<u>Dollars</u>	<u>%</u>
Operating Revenues:				
Dues	\$ 7,459,299	\$ 7,582,113	\$ (122,814)	-1.6%
Membership Programs	140,137	129,736	10,401	8.0%
Conferences, Seminars, Workshops	1,680,287	1,944,541	(264,254)	-13.6%
Fee Based Services	402,139	457,214	(55,075)	-12.0%
Publications and Advertising	125,599	137,452	(11,853)	-8.6%
Other, Net	25,877	32,053	(6,176)	-19.3%
Total Operating Revenues	<u>9,833,338</u>	<u>10,283,109</u>	<u>(449,771)</u>	<u>-4.4%</u>
Operating Expenses:				
Vendors and Employees	9,268,303	9,326,785	(58,482)	-0.6%
Depreciation/Amortization	387,758	292,515	95,243	32.6%
Total Operating Expenses	<u>9,656,061</u>	<u>9,619,300</u>	<u>36,761</u>	<u>0.4%</u>
Operating Income	<u>177,277</u>	<u>663,809</u>	<u>(486,532)</u>	<u>-73.3%</u>
Non Operating (Revenues) Expenses	<u>185,634</u>	<u>(788,631)</u>	<u>974,265</u>	<u>-123.5%</u>
Change in Net Assets	<u>362,911</u>	<u>(124,822)</u>	<u>487,733</u>	<u>-390.7%</u>
Net Assets, Beginning of Year	15,193,056	15,317,878	(124,822)	-0.8%
\$2,000 Credit to Each District	(1,176,000)		(1,176,000)	0.0%
Net Assets, End of Year	<u>\$ 14,379,967</u>	<u>\$ 15,193,056</u>	<u>\$ (813,089)</u>	<u>-5.4%</u>

Long Term Debt

A summary of the Long Term Debt activity for the year is as follows:

Long Term Debt Payable at 6/30/2009	\$18,710
Scheduled Debt Retirements	<u>(9,992)</u>
Long Term Debt Payable at 6/30/2010	<u>\$ 8,718</u>

Capital Plan

The New Jersey School Boards Association is renovating its existing headquarters building at 413 W. State Street, Trenton with completion expected in October 2010. Through June 30, 2010, the Association has incurred \$3.5 million for the renovation and had \$4.5 million remaining in the Building Fund.

Use of Surplus

At the May 14, 2010 Board of Directors' meeting, a \$2,000 service credit was approved for each board of education in the state. The service credit represents the NJSBA Board of Directors' desire to reduce the Association's surplus in a way that will promote effective local school board governance. The issuance of the service credits will reduce the undesignated surplus by 47.3%. It may be applied to any fee-based training program or service provided during the 2010-2011 fiscal year.

Contacting the Association's Management

If there are any questions concerning the Association's report or if additional information is needed, please contact Marie S. Bilik, Executive Director New Jersey School Boards Association, 413 West State Street, Trenton, New Jersey 08605.

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BASIC FINANCIAL STATEMENTS

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 9,817,234	\$ 12,114,944
Cash - Restricted	223,738	153,052
Accounts Receivable, Net of Allowance for Doubtful		
Accounts of \$1,495 and \$1,273 in 2010 and 2009	212,527	243,694
Deferred Pension - Current Portion	44,333	44,333
Property Held for Sale	-	128,602
Prepaid Expenses	122,128	188,833
	<u>10,419,960</u>	<u>12,873,458</u>
<u>Total Current Assets</u>		
Fixed Assets:		
Land for HQ	1,686,534	1,686,534
Land	139,040	139,040
Building and Building Improvements	6,746,294	3,525,871
Furniture and Fixtures	504,841	391,341
Computer Hardware and Software	1,072,052	688,612
Telephone System	38,907	38,907
Automobiles	23,440	43,756
	<u>10,211,108</u>	<u>6,514,061</u>
Less: Accumulated Depreciation and Amortization	<u>(3,239,096)</u>	<u>(2,915,986)</u>
<u>Net Fixed Assets</u>	<u>6,972,012</u>	<u>3,598,075</u>
Other Assets		
Deferred Pension - Non-Current Portion	<u>302,947</u>	<u>347,280</u>
	<u>302,947</u>	<u>347,280</u>
<u>Total Other Assets</u>		
	<u>302,947</u>	<u>347,280</u>
<u>Total Assets</u>	<u>\$ 17,694,919</u>	<u>\$ 16,818,813</u>

The accompanying Notes are an integral part of these financial statements.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
Current Liabilities:		
Accounts Payable & Accrued Expenses	\$ 1,521,376	\$ 428,636
Payroll Taxes	50,853	50,641
Deferred Revenue	108,735	699,045
\$2,000 Credit to Each District	1,176,000	-
Accrued Vacation Payable	439,278	419,219
Long Term Debt - Current Portion	<u>9,992</u>	<u>9,506</u>
<u>Total Current Liabilities</u>	<u>3,306,234</u>	<u>1,607,047</u>
Long Term Liabilities:		
Long Term Debt - Non-Current Portion	<u>8,718</u>	<u>18,710</u>
<u>Total Long-Term Liabilities</u>	<u>8,718</u>	<u>18,710</u>
Net Assets:		
Board Designated:		
Building Needs Allocation	4,536,742	6,913,085
Strategic Plan Allocation	131,345	229,915
IT Replacement Allocation	<u>18,019</u>	<u>73,399</u>
Total Board Designated	4,686,106	7,216,399
Unrestricted	2,680,752	4,209,044
Net Investment in Facilities	6,972,012	3,726,676
Restricted	<u>41,097</u>	<u>40,937</u>
Total Net Assets	<u>14,379,967</u>	<u>15,193,056</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 17,694,919</u>	<u>\$ 16,818,813</u>

The accompanying Notes are an integral part of these financial statements.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Revenue:		
Dues	\$ 7,459,299	\$ 7,582,113
Membership Programs	140,137	129,736
Conferences, Seminars, Workshops	1,680,287	1,944,541
Fee Based Services	402,139	457,214
Publications and Advertising	125,599	137,452
Other, Net	25,877	32,053
	<hr/>	<hr/>
<u>Total Operating Revenues</u>	9,833,338	10,283,109
Expenses:		
Salaries and Employee Benefits	6,850,441	7,110,094
Occupancy and Office Expenses	960,768	703,141
Conferences, Seminars and Workshop	675,955	636,908
Publications and Advertising	253,657	247,989
Travel Expenses	146,860	150,047
Committees	63,133	70,339
Depreciation and Amortization	387,758	292,515
Other Membership Services and Activities	317,489	408,267
	<hr/>	<hr/>
<u>Total Operating Expenses</u>	9,656,061	9,619,300
Operating Income	<hr/>	<hr/>
	177,277	663,809
Nonoperating Revenues (Expenses):		
Write Off of Cost Incurred for New Headquarters	-	(1,094,341)
Gain on Sale of Field Offices	133,188	-
Investment Income	52,446	305,710
	<hr/>	<hr/>
Net Income (Loss)	362,911	(124,822)
Net Assets, Beginning of Year	<hr/>	<hr/>
	15,193,056	15,317,878
\$2,000 Credit to Each District from Unrestricted Net Assets	<hr/>	<hr/>
	(1,176,000)	-
Net Assets, End of Year	<hr/>	<hr/>
	\$ 14,379,967	\$ 15,193,056

The accompanying Notes are an integral part of these financial statements.

NEW JERSEY SCHOOL BOARDS ASSOCIATION
STATEMENTS OF CASH FLOWS FOR THE YEARS
ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Cash Flows from Operating Activities:</u>		
Collections from Customers	\$ 9,202,008	\$ 9,989,955
Payments to Vendors and Employees	<u>(8,087,086)</u>	<u>(9,374,010)</u>
Net Cash Provided by Operating Activities	<u>1,114,922</u>	<u>615,945</u>
<u>Cash Flows from Investing Activities:</u>		
Purchases of Equipment	(3,717,363)	(203,641)
Proceeds from Sale of Property	261,790	
Proceeds from Sale of Investments		11,064,488
Purchase of Investments		(4,000,000)
Interest	<u>53,642</u>	<u>355,572</u>
Net Cash (Used) Provided in Investing Activities	<u>(3,401,931)</u>	<u>7,216,419</u>
<u>Cash Flows from Financing Activities:</u>		
Payment of Debt Obligations	(9,506)	(9,044)
Interest Expense	<u>(1,195)</u>	<u>(1,657)</u>
Net Cash Used by Financing Activities	<u>(10,701)</u>	<u>(10,701)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(2,297,710)	7,821,663
Cash and Cash Equivalents, Beginning of Year	<u>12,114,944</u>	<u>4,293,281</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,817,234</u>	<u>\$ 12,114,944</u>

The accompanying Notes are an integral part of these financial statements.

NEW JERSEY SCHOOL BOARDS ASSOCIATION
STATEMENTS OF CASH FLOWS FOR THE YEARS
ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Operating Income	\$ 177,277	\$ 663,809
Depreciation	294,493	227,153
Amortization	48,932	21,028
Bad Debt Allowance	1,500	5,000
Deferred Compensation	44,333	44,333
Changes in Operating Assets and Liabilities:		
Accounts Receivable	29,667	(6,733)
Restricted Cash	(70,686)	(71,862)
Prepaid Expenses	66,704	45,384
Accounts Payable and Accrued Expenses	1,113,012	(97,607)
Other Liabilities	<u>(590,310)</u>	<u>(214,560)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,114,922</u>	<u>\$ 615,945</u>

The accompanying Notes are an integral part of these financial statements.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The New Jersey School Boards Association (the "Association") was created by the State of New Jersey *N.J.S.A. 18A:6-45* in 1914. The Association is a state federation of all districts' boards of education. Each district is required to annually pay dues to the Association. The mission of the Association is to advocate, train, and provide resources for the advancement of public education in New Jersey.

Reporting Entity

The Association's financial statements include all operations and management of the organization. The Board of Directors consists of the officers of the Association and 26 members as follows:

- a. One from each county of the State, who shall be elected by the district boards of education acting through the school boards association of each county;
- b. Three members elected by the members of the Urban Boards Committee, provided that no member elected pursuant to this subsection be a member of a local board on which another member of the Board of Directors already serves.
- c. One member who shall be appointed by the president with the advice and consent of the Board of Directors, and who shall be a member of a county vocational board of education, provided that no member appointed pursuant to this subsection may be a member of a local board on which another member of the Board of Directors already serves; and
- d. Any board of education member who is elected as an officer or board of directors member of the National School Boards Association, and whose district board of education is in good standing with the Association, shall serve as a non-voting member of the Board of Directors for the duration of his or her NSBA term of office.

Regular members of the Board of Directors other than officers shall be elected or appointed for a term of three years. There shall be one alternate for each director, selected in the same manner as the director by the same authority, for a three-year term. The officers are elected for a two-year term. Among other duties and authority, the Board of Directors implements the purposes of the Association and exercises general supervision over its affairs, between meetings of the Delegate Assembly; they adopt the annual budget and approve the annual audit of the Association; and are authorized to transact the business of the Association and enter into contracts on behalf of the Association. There are no additional entities required to be included in the reporting entity and the Association is not included in any other reporting entity.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for proprietary funds as prescribed by the Governmental Accounting Standards Board ("GASB"). Proprietary fund revenues and expenses are recognized on the accrual basis. Accordingly, revenues are recognized in the accounting period in which they are earned and become measurable. Membership dues collected in the current fiscal year, which are due in the next fiscal year, are recorded as deferred revenue. Expenses are recognized in the period incurred if measurable. Under GASB Statement No. 34, for financial reporting purposes, the Association is considered a special-purpose government engaged only in business-type activities.

Concentration of Credit Risk

The Association maintains its cash balances in financial institutions, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 each and the remaining bank balance is covered by the New Jersey Governmental Unit Deposit Protection Act (GUDPA). At various times throughout the year, such balances may exceed insurance limits.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within 3 months of purchase. Balances may exceed FDIC limits. The Association believes it is not exposed to any significant credit risks.

Accounts Receivable

Accounts receivable consists of various amounts receivable from member Boards of Education for conferences, fee based services, advertising, and other member program services. The allowance for doubtful accounts is based on management's estimated amounts deemed uncollectible.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The Association classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value. Authorized investments include the following:

- a. Certificates of Deposit or other interest-bearing deposits of New Jersey financial institutions, which are certified as Public Depositories for accepting public funds by the State Commissioner of Banking, according to the provisions of the Governmental Unit Deposit Protection Act (GUDPA). There is no dollar limitation on funds placed in GUDPA depositories.
- b. Money market funds of authorized financial institutions (GUDPA depositories).
- c. The State of New Jersey Cash Management Fund.
- d. Obligations of the U.S. Government or obligations guaranteed by the U.S. Government.

Interest Rate Risk

The Association does not have a policy to limit interest rate risk.

Deferred Pension Cost

The deferred pension cost is being amortized on a straight-line method over the 15 year remaining life of the agreement with the State of New Jersey. Amortization expense amounted to \$44,333 for the fiscal years ended June 30, 2010 and 2009.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets. Asset lives used in the calculation of depreciation are as follows:

Buildings and Improvements	33 ½ years
Office Equipment	5 years
Furniture and Fixtures	10 years
Telephone System	10 years
Computers	3 to 6 years
Vehicles	3 years

Estimates and Uncertainties

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 disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Headquarters

At the March 13, 2009 Board of Directors (BOD) meeting, the Board accepted the report and recommendations of the Ad Hoc Facilities Committee to renovate the current headquarters building at 413 West State Street, Trenton, NJ. Recent state regulations diminish the opportunity for board members to travel for in-service programs. In addition, the Accountability Act emphasizes regional and web-based training over statewide meetings, further reducing the need for an Association conference center. The action resulted in a write off of the expenses for the new headquarters with a training center, outlayed in previous years, of \$1,094,340 at June 30, 2009. This amount is displayed separately in the Statements of Revenues, Expenses and Changes in Net Assets report.

Income Taxes

The Association is a governmental unit as described in Section 170(c)(1) of the Internal Revenue Code and in accordance with Section 115 of the Code, is not subject to income taxes.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(2) CASH – RESTRICTED

The Association's cash restricted accounts consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Self-Funded Unemployment Benefits	\$ 41,097	\$ 40,937
Trust – ACES	<u>182,641</u>	<u>112,115</u>
	<u>\$ 223,738</u>	<u>\$153,052</u>

(3) INVESTMENTS

At June 30, 2010 and 2009, the Association had cash to invest in a certificate of deposit. The rates of return were very low so the cash is temporarily in a money market and interest bearing account.

(4) DESIGNATED NET ASSETS

The Association has designated certain unrestricted net assets. The Association has designated amounts for the Strategic Plan totaling \$0 and \$250,000, for IT projects and equipment totaling \$170,000 and \$250,000, for Building needs additions of \$700,000 and \$500,000 as of June 30, 2010 and 2009.

The Strategic Plan Fund was authorized in 2009 to use \$250,000 of the surplus to achieve the goals set forth in the plan. \$15,661 was incurred for the establishment of the Education Leadership Foundation of New Jersey (ELFNJ). The mission of the Educational Leadership Foundation of New Jersey advances public education governance through training, research, and attaining grants to further professional development. Formed in 2008 and approved under the Internal Revenue Code of 1954 as a 501 (c)(3), the Foundation serves New Jersey's local boards of education, public charter school boards of trustees, other public entities and non-profit organizations. \$2,732 was used for voting cards for the Delegate Assembly, and \$1,692 was for miscellaneous meetings. In 2010, \$34,952 of the remaining balance was used for scanning files which is part of the documentation management initiative and \$63,618 was used for IT purposes. The balance at June 30, 2010 is \$131,345.

The \$176,601 of the \$250,000 IT Fund was used for hardware purchases, disaster recovery capabilities, remote access and server virtualization systems in 2009. \$170,000 from surplus was authorized for IT purposes in 2010. \$157,176 of the IT Fund was used for the upgrade of our Association billing system, \$4,521 for disaster recovery, and \$63,683 was used for hardware purchases. The balance at June 30, 2010 is \$18,019.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(4) DESIGNATED NET ASSETS (CONTINUED)

The change in the Building Fund during 2009 from an opening balance of \$6,291,347 to an ending balance of \$6,913,085 was comprised of the addition of \$500,000, interest income of \$140,570, and some charges of \$18,832, most of which were legal fees. The Building Fund increased in 2010 by \$700,000 from surplus, \$261,790 from the sale of the Voorhees office condo, and \$22,968 from interest income. \$3,361,101 was expended for the renovation of the existing headquarters. The balance at June 30, 2010 is \$4,536,742.

(5) PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows for June 30:

	<u>2010</u>	<u>2009</u>
Property and Equipment		
New HQ – Work in Progress	\$ 1,686,534	\$ 1,686,534
Land	139,040	139,040
Building and Improvements	6,746,292	3,525,871
Furniture and Fixtures	364,102	274,609
Computer	1,072,053	688,612
Office Equipment	140,740	116,732
Telephone System	38,907	38,907
Van	<u>23,440</u>	<u>43,756</u>
Total Property and Equipment	\$ <u>10,211,108</u>	\$ <u>6,514,061</u>
	<u>2010</u>	<u>2009</u>
Accumulated Depreciation and Amortization		
Building and Improvements	\$ 2,185,927	\$ 2,030,880
Furniture and Fixtures	274,610	272,857
Computer	680,994	531,820
Office Equipment	77,633	51,886
Telephone System	8,212	4,321
Van	<u>11,720</u>	<u>24,222</u>
Less: Total Accumulated Depreciation and Amortization	<u>3,239,096</u>	<u>2,915,986</u>
	\$ <u>6,972,012</u>	\$ <u>3,598,075</u>

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(6) PENSION AND OTHER DEFERRED COMPENSATION PLANS

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January 1955 under the provisions of *N.J.S.A. 43:15A* to provide coverage to substantially all full time employees of the State or any county, municipality, school board or public agency provided the employee is not a member of another state-administered retirement system.

Membership is mandatory for such employees and vesting occurs after 10 years of services. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credit service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate of one quarter of one percent for each month the member retires prior to reaching age 55.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy for PERS

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by legislation. PERS provides for employee contributions of 5.5% of employees' annual compensation, as defined. The Association is required to contribute at an actuarially determined rate to PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Association made contributions of \$396,830 and \$367,225 to PERS for the fiscal years ended June 30, 2010 and 2009, respectively.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(6) PENSION AND OTHER DEFERRED COMPENSATION PLANS (CONTINUED)

Deferred Compensation Plan

The Association's deferred compensation program is offered to all Association employees. The program was created in accordance with Sections 403(b) and 457 of the Internal Revenue Code. The program is offered by the Association through two program administrators, The Variable Annuity Life Insurance Company ("VALIC") and The Metropolitan Life Insurance Company ("Metlife"). Amounts deferred under this plan are to be held for the exclusive benefit of participating employees and are not accessible by the Association or its creditors.

The Association has a Deferred Compensation Plan pursuant to Section 403(b) of the Internal Revenue Code. The Association does not contribute to the Plan. All amounts deferred under the 403(b) plan are the property of the employee.

Employee Incentive Program

The Association sponsors an employee incentive program whereby all employees with 5 or more years of service are eligible to participate. The Association will provide a matching incentive of 50% of an employees' contribution up to the employee's eligible annual salary contribution of 2% for employees with 5 or more years of service and 8% for employees with 10 or more years of service. The contributions of eligible employee's annual salary, together with any matching funds, will be placed in a qualified deferred annuity. The employee may contribute a minimum of 1% to a maximum of 8% of the annual salary. The Association contributed \$71,003 and \$77,890 to the program for the fiscal years ended June 30, 2010 and 2009, respectively. The program is suspended for the 2010-2011 fiscal year.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

(7) POST RETIREMENT HEALTH INSURANCE

The Association provides post-retirement health benefits to employees who retire with 25 years or more of service within the system by December 1, 2001. Employees with ten (10) or more years of service may also qualify for benefits under the Disability Retirement Provisions of the Plan. There are currently eleven retirees who meet this requirement and are receiving benefits. In addition, there are two current employees who are eligible upon their retirement.

Plan Description

The Association contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions>.

Funding Policy

Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Association on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Association's contributions to SHBP for the years ended June 30, 2010 and 2009 were \$130,817 and \$108,926, respectively, which equaled the required contributions for each year. Additionally, the Association reimbursed six retirees for Part B Federal Medicare premiums, as well as the payment of health insurance premiums required by the program for a cost of \$6,941 for the years ended June 30, 2010 and 2009.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(8) LEASES

Operating Leases

The Association currently leases various equipment under non-cancelable operating lease agreements expiring on various dates through July 31, 2012. Future minimum lease payments under all non-cancelable operating leases as of June 30, 2010 are as follows:

	<u>Amounts</u>
Year Ending:	
2011	\$10,418
2012	748
Thereafter	<u>-0-</u>
 Total	 <u>\$11,168</u>

Total rent expenses, inclusive of usage charges on leased equipment, included as a charge to operations amounted to \$37,912 and \$37,763 in 2010 and 2009, respectively.

Capital Leases

The Association leases a color copier under an agreement that is classified as a capital lease. The cost of the equipment under this capital lease is included in the Balance Sheets as property and equipment and was \$38,723 at June 30, 2008. Accumulated amortization of the leased equipment at June 30, 2010 and 2009, respectively was \$11,592 and \$7,744. Amortization of assets under capital leases is included in depreciation expense.

The future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2010 are as follows:

	<u>Amounts</u>
Year Ending:	
2011	\$10,701
2012	8,919
Thereafter	<u> </u>
 Total Minimum Lease Payments	 \$19,620
Less: Amount Representing Interest	<u>(910)</u>
Present Value of Net Minimum Lease Payments	18,710
Less: Current Maturities of Capital Lease Obligations	<u>(9,992)</u>
 Long-Term Capital Lease Obligations	 <u>\$8,718</u>

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(9) RELATED ORGANIZATION

The Electric Discount and Energy Competition Act of 1999 designated the New Jersey School Boards Association ("NJSBA") as a "governmental aggregator" for school district purchasing of deregulated electricity and gas. The New Jersey School Boards Association, the New Jersey Association of School Business Officials ("NJASBO"), and the New Jersey Association of School Administrators ("NJASA") signed a formal agreement to co-sponsor the Alliance for Competitive Energy Services, ("ACES") for the purpose of local school district joint purchasing of electricity and other energy services on the open market. Because of the legal designation of "governmental aggregator", NJSBA is prohibited from realizing excess revenues in its role as a sponsor of ACES. The financial records of ACES are maintained on a calendar-year basis and are subject to independent audit.

Gable Associates of Highland Park, New Jersey, an energy environmental and public utility consulting firm, is under contract to perform the administrative functions of ACES. All fees due to Gable Associates are contingent upon the successful performance of the Alliance in securing and delivering discounted energy.

The NJSBA, NJASBO, and NJASA have formed a Trust that agreed to share equally the direct administrative costs and expenses that is incurred by ACES during the startup process.

(10) USE OF SURPLUS

NJSBA will provide each local school board with a \$2,000 service credit for use in the next fiscal year. The service credit reflects the Board of Directors' desire to give school boards the ability to receive advanced training and fee-based services in areas that are critical in the current economy.

(11) COMMITMENTS AND CONTINGENCIES

In the opinion of management, claims or lawsuits incidental to the business of the Association have been adequately provided for in the financial statements.

