

Annual  
Financial Report

of the

**New Jersey School Boards Association**

For the Years Ended June 30, 2011 and 2010

Prepared By

New Jersey School Boards Association

Finance Department

NEW JERSEY SCHOOL BOARDS ASSOCIATION

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**FINANCIAL SECTION**



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2011 and 2010 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, 2011 and 2010, 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 September 23, 2011, 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.

September 23, 2011



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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, 2011, and have issued our report thereon dated September 23, 2011, 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.

September 23, 2011

## **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, 2011 and 2010. 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, 2011 and 2010. The Association's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

### **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 \$16.1 million this year versus \$17.7 million last year. Total liabilities were \$2 million, a decrease over last year of 1.3 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, an increase in prepaid revenue in 2010-2011 of \$394 thousand from Workshop exhibitors, and a decrease in liabilities of \$707.2 thousand representing the \$800 credit given to each district for training during 2011-2012 versus \$2,000 given in 2010-2011 (see Use of Surplus below).

Operating revenues totaled \$8.9 million, which is a decrease of \$922 thousand or 9.4% from the prior year operating revenue of \$9.8 million.

The major source of revenue is from Dues which totaled \$7.1 million. This represents a decrease of \$316 thousand over 2010 Dues of \$7.4 million which results from a 5% discount given to each district. Another major source of revenue is from conferences, seminars and workshops which totaled \$955 thousand, a decrease of \$724.9 thousand from 2010 revenues of \$1.7 million. This decrease was primarily attributable to our annual Workshop in October. In 2010, the Workshop was held in Somerset, NJ and in Atlantic City, NJ in 2009. To keep Workshop attendance within reach of local school districts, we cut the group registration in half, resulting in a \$342 thousand reduction in revenue from registration. The exhibit hall space was significantly less in Somerset resulting in a \$264 thousand reduction in exhibit revenue. Overall, Workshop 2010 revenue was \$719 thousand less than Workshop 2009.

Operating expenses were \$88 thousand less than the previous year but in that amount, depreciation, a non-cash charge, increased \$284 thousand due to the refurbished Headquarters. Actual cash outlays for operating expenses decreased by \$372 thousand. Salaries decreased by \$286 thousand due to a reduction in staff of two people and no merit increases in 2011. Personnel Administration was flat due to the reduction of certain benefits to offset increases in others. Workshop 2010 expenses increased \$171 thousand over Workshop 2009. This was due to the site selected which did not allow for centralized training and exhibit space.

Cash and Investments of \$4.9 million decreased \$5.1 million or 50.9% over the prior year's total of \$10 million. This decrease is primarily due to a use of funds of \$3.9 million for the renovation of the Headquarters and a decrease of \$1.2 million from operations.

Long Term Debt of \$8.7 thousand in 2009-2010 was eliminated due to the return of the color copier.

## **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 advocate, train, and provide resources for the advancement of public education in New Jersey.

## **Long Term Debt**

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

Long Term Debt Payable at 6/30/2010	\$8,718
Debt Payments	(3,276)
Debt Retirements	<u>(5,442)</u>
Long Term Debt Payable at 6/30/2011	<u>\$ 0</u>

## **Capital Plan**

The New Jersey School Boards Association renovated its existing Headquarters building at 413 W. State Street, Trenton, NJ which was completed in October 2010. Through June 30, 2011, the Association has incurred \$7.6 million for the renovation and had \$669 thousand remaining in the Building Fund. It is expected to decrease by \$450 thousand in the following year for payments still owed to contractors for the renovation.

## **Use of Surplus**

At the March 12, 2011 Board of Directors' meeting, an \$800 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. It may be applied to any fee-based training program or service provided during the 2011-2012 fiscal year. It will cover the cost to attend the October 2011 Workshop which is priced at \$750.00 per board. In the prior year, a \$2,000 credit was issued for the same reason. At June 30, 2011, \$781,778 was unused by the districts and returned to the surplus account.

## **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.

## **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	
	2011	2010	Dollars	%
<b>Assets</b>				
Cash and Investments	\$ 4,933,464	\$ 10,040,972	\$ (5,107,508)	-50.9%
Accounts Receivable	181,509	212,527	(31,018)	-14.6%
Property, Plant and Equipment - Net	10,474,142	6,972,012	3,502,130	50.2%
Other Assets	484,852	469,408	15,444	3.3%
<b>Total Assets</b>	<b>\$ 16,073,967</b>	<b>\$ 17,694,919</b>	<b>\$ (1,620,952)</b>	<b>-9.2%</b>
<b>Liabilities:</b>				
Current Liabilities	\$ 2,023,302	\$ 3,306,234	\$ (1,282,932)	-38.8%
Long Term Debt	-	8,718	(8,718)	-100.0%
<b>Total Liabilities</b>	<b>\$ 2,023,302</b>	<b>\$ 3,314,952</b>	<b>\$ (1,291,650)</b>	<b>-39.0%</b>
<b>Net Assets:</b>				
Board Designated	\$ 730,238	\$ 4,686,106	\$ (3,955,868)	-84.4%
Unrestricted	2,805,120	2,680,752	124,368	4.6%
Net Investment in Facilities	10,474,142	6,972,012	3,502,130	50.2%
Restricted	41,165	41,097	68	0.2%
	<b>\$ 14,050,665</b>	<b>\$ 14,379,967</b>	<b>\$ (329,302)</b>	<b>-2.3%</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 16,073,967</b>	<b>\$ 17,694,919</b>	<b>\$ (1,620,952)</b>	<b>-9.2%</b>

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

	June 30		Variance	
	2011	2010	Dollars	%
<b>Operating Revenues:</b>				
Dues	\$ 7,142,871	\$ 7,459,299	\$ (316,428)	-4.2%
Membership Programs	164,121	140,137	23,984	17.1%
Conferences, Seminars, Workshops	955,401	1,680,287	(724,886)	-43.1%
Fee Based Services	500,918	402,139	98,779	24.6%
Publications and Advertising	120,492	125,599	(5,107)	-4.1%
Other, net	27,977	25,877	2,100	8.1%
<b>Total operating revenues</b>	<b>\$ 8,911,780</b>	<b>\$ 9,833,338</b>	<b>\$ (921,558)</b>	<b>-9.4%</b>
<b>Operating expenses:</b>				
Vendors and Employees	8,896,093	9,268,303	(372,210)	-4.0%
Depreciation/Amortization	671,505	387,758	283,747	73.2%
<b>Total operating expenses</b>	<b>\$ 9,567,598</b>	<b>\$ 9,656,061</b>	<b>\$ (88,463)</b>	<b>-0.9%</b>
<b>Operating income (loss)</b>	<b>\$ (655,818)</b>	<b>\$ 177,277</b>	<b>\$ (833,095)</b>	<b>-469.9%</b>
<b>Non operating (revenues) expenses</b>	<b>\$ 11,538</b>	<b>\$ 185,634</b>	<b>\$ (174,096)</b>	<b>-93.8%</b>
<b>Net income (loss)</b>	<b>\$ (644,280)</b>	<b>\$ 362,911</b>	<b>\$ (1,007,191)</b>	<b>-277.5%</b>
<b>Net Assets, Beginning of Year</b>	<b>\$ 14,379,967</b>	<b>\$ 15,193,056</b>	<b>\$ (813,089)</b>	<b>-5.4%</b>
\$2,000 credit to each district 2010-2011*	\$ 2,000	\$ (1,176,000)	\$ 1,178,000	0.0%
Return of unused \$2,000 credit 2010-2011	781,778	-	781,778	0.0%
\$800 credit to each district 2011-2012	(468,800)	-	(468,800)	0.0%
	<b>\$ 314,978</b>	<b>\$ (1,176,000)</b>	<b>\$ 1,490,978</b>	<b>0.0%</b>
<b>Net Assets, End of Year</b>	<b>\$ 14,050,665</b>	<b>\$ 14,379,967</b>	<b>\$ (329,302)</b>	<b>-2.3%</b>

\*Adjustment due to District merger

## **BASIC FINANCIAL STATEMENTS**

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF NET ASSETS  
JUNE 30, 2011 AND 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 4,452,391	\$ 9,817,234
Cash - restricted	481,073	223,738
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$0 and \$1,495 in 2011 and 2010	181,509	212,527
Deferred Pension - Current Portion	44,333	44,333
Prepaid Expenses	<u>181,905</u>	<u>122,128</u>
<u>Total Current Assets</u>	<u>\$ 5,341,211</u>	<u>\$ 10,419,960</u>
Fixed Assets:		
Land	\$ 1,825,574	\$ 1,825,574
Building and Building Improvements	10,110,608	6,746,294
Furniture and Fixtures	720,590	504,841
Computer Hardware and Software	1,179,628	1,072,052
Telephone System	38,907	38,907
Automobiles	<u>23,440</u>	<u>23,440</u>
	\$ 13,898,747	\$ 10,211,108
Less: Accumulated Depreciation and Amortization	<u>(3,424,605)</u>	<u>(3,239,096)</u>
<u>Net Fixed Assets</u>	<u>\$ 10,474,142</u>	<u>\$ 6,972,012</u>
Other Assets		
Deferred Pension - Non-Current Portion	<u>258,614</u>	<u>302,947</u>
<u>Total Other Assets</u>	<u>\$ 258,614</u>	<u>\$ 302,947</u>
<u>Total Assets</u>	<u>\$ 16,073,967</u>	<u>\$ 17,694,919</u>

See Notes to Financial Statements

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF NET ASSETS  
JUNE 30, 2011 AND 2010

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
Current Liabilities:		
Accounts Payable & Accrued Expenses	\$ 597,843	\$ 1,521,376
Payroll Taxes	53,832	50,853
Deferred Revenue	462,996	108,735
Credit to each district, \$800 and \$2,000 in 2011 and 2010	468,800	1,176,000
Accrued Vacation Payable	439,831	439,278
Long Term Debt - Current Portion	-	9,992
	<u>                    </u>	<u>                    </u>
<u>Total Current Liabilities</u>	<u>\$ 2,023,302</u>	<u>\$ 3,306,234</u>
Long Term Liabilities:		
Long Term Debt - Non-Current Portion	\$ -	\$ 8,718
	<u>                    </u>	<u>                    </u>
<u>Total Long-Term Liabilities</u>	<u>\$ -</u>	<u>\$ 8,718</u>
Net Assets:		
Board Designated:		
Building Needs Allocation	\$ 669,486	\$ 4,536,742
Strategic Plan Allocation	1,054	131,345
IT Replacement Allocation	59,698	18,019
Total Board Designated	<u>\$ 730,238</u>	<u>\$ 4,686,106</u>
Unrestricted	\$ 2,805,120	\$ 2,680,752
Net Investment in Facilities	10,474,142	6,972,012
Restricted	<u>41,165</u>	<u>41,097</u>
	<u>                    </u>	<u>                    </u>
<u>Total Net Assets</u>	<u>\$ 14,050,665</u>	<u>\$ 14,379,967</u>
	<u>                    </u>	<u>                    </u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 16,073,967</u>	<u>\$ 17,694,919</u>

See Notes to Financial Statements

## EXHIBIT "B"

NEW JERSEY SCHOOL BOARDS ASSOCIATION  
STATEMENTS OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenue:		
Dues	\$ 7,142,871	\$ 7,459,299
Membership Programs	164,121	140,137
Conferences, Seminars, Workshops	955,401	1,680,287
Fee Based Services	500,918	402,139
Publications and Advertising	120,492	125,599
Other, net	<u>27,977</u>	<u>25,877</u>
<u>Total Operating Revenues</u>	<u>\$ 8,911,780</u>	<u>\$ 9,833,338</u>
Expenses:		
Salaries and Employee Benefits	\$ 6,571,113	\$ 6,850,441
Occupancy and Office Expenses	692,548	960,768
Conferences, Seminars and Workshop	842,017	675,955
Publications and Advertising	175,618	253,657
Travel Expenses	131,750	146,860
Committees	50,170	63,133
Depreciation and Amortization	671,505	387,758
Other Membership Services and Activities	<u>432,877</u>	<u>317,489</u>
<u>Total Operating Expenses</u>	<u>\$ 9,567,598</u>	<u>\$ 9,656,061</u>
Operating Income (Loss)	<u>\$ (655,818)</u>	<u>\$ 177,277</u>
Nonoperating Revenues (Expenses):		
Gain on Sale of Field Offices	-	133,188
Investment Income	<u>11,538</u>	<u>52,446</u>
Net Income (Loss)	<u>\$ (644,280)</u>	<u>\$ 362,911</u>
Net Assets, Beginning of Year	<u>\$ 14,379,967</u>	<u>\$ 15,193,056</u>
\$2,000 credit to each district 2010-2011*	2,000	(1,176,000)
Return of unused \$2,000 credit 2010-2011	781,778	-
\$800 credit to each district 2011-2012	<u>(468,800)</u>	<u>-</u>
	<u>\$ 314,978</u>	<u>\$ (1,176,000)</u>
Net Assets, End of Year	<u>\$ 14,050,665</u>	<u>\$ 14,379,967</u>
*Adjustment due to district merger		

See Notes to Financial Statements



NEW JERSEY SCHOOL BOARDS ASSOCIATION  
STATEMENTS OF CASH FLOWS FOR THE YEARS  
ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flows from Operating Activities:</u>		
Collections from Customers	\$ 9,033,777	\$ 9,202,008
Payments to Vendors and Employees	<u>(10,262,085)</u>	<u>(8,087,086)</u>
Net Cash (Used for) Provided by Operating Activities	\$ <u>(1,228,308)</u>	\$ <u>1,114,922</u>
<u>Cash Flows from Investing Activities:</u>		
Purchases of Fixed Assets	\$ (4,144,797)	\$ (3,717,363)
Proceeds from Sale of Property	-0-	261,790
Interest	<u>11,829</u>	<u>53,642</u>
Net Cash Used in Investing Activities	\$ <u>(4,132,968)</u>	\$ <u>(3,401,931)</u>
<u>Cash Flows from Financing Activities:</u>		
Payment of Debt Obligations	\$ (3,276)	\$ (9,506)
Interest Expense	<u>(291)</u>	<u>(1,195)</u>
Net Cash Used by Financing Activities	\$ <u>(3,567)</u>	\$ <u>(10,701)</u>
Net Decrease in Cash and Cash Equivalents	\$ (5,364,843)	\$ (2,297,710)
Cash and Cash Equivalents, Beginning of Year	<u>9,817,234</u>	<u>12,114,944</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,452,391</u>	<u>\$ 9,817,234</u>

See Notes to Financial Statements

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF CASH FLOWS FOR THE YEARS  
ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Operating (Loss) Income	\$ (655,818)	\$ 177,277
Depreciation	542,652	294,493
Amortization	84,519	48,932
Bad Debt Allowance	5,949	1,500
Deferred Compensation	44,333	44,333
Changes in Operating Assets and Liabilities:		
Accounts Receivable	25,070	29,667
Restricted Cash	(257,334)	(70,686)
Prepaid Expenses	(59,779)	66,704
Accounts Payable and Accrued Expenses	(1,312,162)	1,113,012
Other Liabilities	<u>354,262</u>	<u>(590,310)</u>
Net Cash (Used for) Provided by Operating Activities	<u>\$ (1,228,308)</u>	<u>\$ 1,114,922</u>

See Notes to Financial Statements

## NEW JERSEY SCHOOL BOARDS ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

#### (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. One member elected by the members of the County Association Leadership, provided that no member elected pursuant to this subsection may be a member of a local board on which another member of the Board of Directors already serves; and
- e. 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, 2011 AND 2010

(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). Our bank, PNC, is certified by the Department of Banking and Insurance for participation in the GUDPA system.

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 estimation of amounts deemed uncollectible.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

(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.

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, 2011 and 2010.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

(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

During the last week in October 2010, the staff moved back to their renovated Headquarters at 413 West State Street, Trenton, NJ. The completion of the "curtain wall" system (windows and window seals) was completed while the building was in use. The cost associated with this renovation was \$3,946,532 in 2011 and \$3,614,205 in 2010, totaling \$7,560,737.

Of these amounts \$78,070 in 2011 and \$253,104 in 2010 were reported as expenditures for office rent and storage, with the balance in each year, funded through the Building Fund account.

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, 2011 AND 2010

(2) CASH – RESTRICTED

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

	<u>2011</u>	<u>2010</u>
Self-Funded Unemployment Benefits	\$ 41,164	\$ 41,097
Trust – ACES	<u>439,909</u>	<u>182,641</u>
	<u>\$ 481,073</u>	<u>\$223,738</u>

(3) INVESTMENTS

At June 30, 2011 and 2010, 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. These amounts include funds for the Strategic Plan totaling \$100,000 and \$0, IT projects and equipment totaling \$100,000 and \$170,000, and Building needs additions of \$0 and \$700,000 as of June 30, 2011 and 2010.

The Strategic Plan Fund was authorized in 2009 to use \$250,000 of the surplus to achieve the goals set forth in the plan. At the end of that period, \$229,915 remained in the Fund and in November 2010, another \$100,000 was approved by the Board of Directors' to continue the tasks set forth in the Plan. The funds were used for scanning files as part of the document management initiative in the amount of \$44,947. Funds in the amount of \$3,708 were used to cohost a program with the NJ League of Municipalities entitled "The 2% Solution". The remainder of \$280,206 was spent on IT hardware and software solutions necessary to serve our members more efficiently. Only \$1,054 remains at June 30, 2011.

\$100,000 was authorized from surplus in 2011, and \$170,000 was authorized for IT purposes in 2010. \$41,678 was used during 2011 for outside services and equipment upgrades. During 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, 2011 is \$59,698 and \$18,019 at June 30, 2010.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

(4) DESIGNATED NET ASSETS (CONTINUED)

The change in the Building Fund during 2011 from an opening balance of \$4,536,742 to an ending balance of \$669,486 was comprised of interest income of \$1,206, and expenditures for the renovation of \$3,868,462. 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>2011</u>	<u>2010</u>
Property and Equipment		
Land in Hamilton, NJ	\$ 1,686,534	\$ 1,686,534
Land in Trenton, NJ	139,040	139,040
Building and Improvements	10,110,608	6,746,294
Furniture and Fixtures	619,164	364,102
Computer	1,179,628	1,072,052
Office Equipment	101,426	140,740
Telephone System	38,907	38,907
Van	<u>23,440</u>	<u>23,440</u>
Total Property and Equipment	<u>\$ 13,898,747</u>	<u>\$ 10,211,108</u>

	<u>2011</u>	<u>2010</u>
Accumulated Depreciation and Amortization		
Building and Improvements	\$ 2,488,737	\$ 2,185,927
Furniture and Fixtures	61,918	274,610
Computer	767,368	680,994
Office Equipment	74,948	77,633
Telephone System	12,104	8,212
Van	<u>19,530</u>	<u>11,720</u>
Less: Total Accumulated Depreciation and Amortization	<u>3,424,605</u>	<u>3,239,096</u>
	<u>\$ 10,474,142</u>	<u>\$ 6,972,012</u>



NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

(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 \$531,845 and \$396,830 to PERS for the fiscal years ended June 30, 2011 and 2010, respectively.

On June 28, 2011, Governor Christie signed landmark pension and health benefits reform legislation into law. The new law is designed to ensure the pension funds' integrity by increasing active employees' pension contribution levels, changing retirement benefit levels and eligibility, and ensuring that the state and other public entities pay the employers' contributions to the programs annually. The increase in employee contributions from 5.5% to 6.5% will occur in the first pay received in October 2011.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

(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 \$0 and \$71,003 to the program for the fiscal years ended June 30, 2011 and 2010, respectively. The program was suspended for the 2010-2011 fiscal year.

(7) EMPLOYEE HEALTH INSURANCE

Contributions by Employees

The Association staff members contribute either 1.5% of salary toward the cost of the premium, the minimum required by state law, or 10% of the total premium cost, whichever is greater beginning January 1, 2010. In 2011, the Association spent \$847,588 on staff health care which was offset by contributions of \$91,604, or 10.8%.

During 2010, the contributions referred to above began in January 2010 when the new plan year took effect. Prior to that time, a contribution was made only by those staff members enrolling in the most expensive plan. The cost of the premium in 2010 was \$812,797, with contributions of \$48,193, or 5.9% from staff. Staff may also opt out of coverage. Currently, 15 staff members do so, saving the Association \$139,499 in 2011 and 8 staff members opted out in 2010 for \$42,741 in savings.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

(7) EMPLOYEE HEALTH INSURANCE (CONTINUED)

Contributions by Employees (Continued)

In the same legislation referred to above in the Funding Policy for PERS section, health care contributions will incrementally change over the next four years, effective June 28, 2011. This change will be determined by type of coverage: single, family, member/spouse/partner/child coverage, and by salary. The staff of the Association currently contributes more than the minimum requirements of the new law therefore no changes were implemented during this reporting period.

(8) 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>.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

(8) POST RETIREMENT HEALTH INSURANCE (CONTINUED)

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, 2011 and 2010 were \$131,988 and \$130,817, 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 \$8,102 and \$6,941 for the years ended June 30, 2011 and 2010, respectively.

(9) LEASES

Operating Leases

The Association currently leases various equipment under non-cancelable operating lease agreements expiring on various dates through July 31, 2016. Future minimum lease payments under all non-cancelable operating leases as of June 30, 2011 are as follows:

	<u>Amounts</u>
Year Ending:	
2012	\$ 26,799
2013	26,015
2014	26,015
2015	26,015
2016	5,774
Thereafter	<u>-0-</u>
Total	<u>\$113,618</u>

Total rent expenses, inclusive of usage charges on leased equipment, included as a charge to operations amounted to \$42,560 and \$37,912 in 2011 and 2010, respectively.

Capital Leases

The Association leased a color copier under an agreement that is classified as a capital lease. The equipment was returned in November 2010.

## NEW JERSEY SCHOOL BOARDS ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

#### (10) 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.

#### (11) USE OF SURPLUS

NJSBA will provide each local school board with an \$800 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. During 2010, a \$2,000 service credit was issued. The unused portion at June 30, 2011 of \$781,778 was returned to the surplus account.

#### (12) 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.

#### (13) SUBSEQUENT EVENTS

The Association has evaluated subsequent events occurring after the financial statement date through September 23, 2011, which is the date the financial statements were available to be issued. Based on this evaluation, the Association has determined that no subsequent events have occurred which require disclosure in the financial statements.