

Annual
Financial Report

of the

New Jersey School Boards Association

For the Years Ended June 30, 2012 and 2011

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

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

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, 2012 and 2011 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.

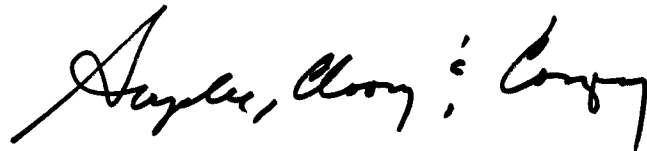
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey School Boards Association as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2012, 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.

SUPLEE, CLOONEY & COMPANY

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 14, 2012

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.



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Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scenco.com

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, 2012, and have issued our report thereon dated September 14, 2012, 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.

SUPLEE, CLOONEY & COMPANY

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.

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 14, 2012

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

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, 2012 and 2011. 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, 2012 and 2011. 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 June 30, 2012 were \$16.1 million this year, the same as the prior year. Total liabilities were \$1.9 million, a decrease over last year of \$100 thousand. An increase in accrued expenditures of \$247 thousand was attributable to a new partnership with NJEdge, which offers school districts participation in VMware Group Purchase Programs and other networking and internet solutions. This is offset by an increase in accounts receivable for these receipts from the districts. There was also an increase in prepaid revenue in 2011-2012 of \$195 thousand from Workshop exhibitors, a \$36 thousand decrease in payroll taxes in 2011-2012 due to the timing of payments, and a decrease in liabilities of \$469 thousand representing the \$800 credit given to each district for training during 2011-2012, which was a liability in 2010-2011.

Membership dues were basically flat year to year. Membership program receipts increased \$40 thousand in 2011-2012 due to an increase in Charter School Association Membership. Membership expenditures increased \$56 thousand mostly due to a contract of \$72 thousand for a technology review and due to decreased payments to consultants of \$31 thousand.

Overhead expenditures increased \$117 thousand in 2011-2012. Most of the increase was due to an increase of \$48 thousand in the health benefits program and an increase of \$38 thousand in temporary help.

We are pleased to report that 2011-2012 Workshop receipts were \$528 thousand over 2010-2011 and Workshop expenditures were \$313 thousand under 2010-2011, for a net increase of \$841 thousand. The 2011-2012 Workshop returned to the Atlantic City, NJ location after moving its location to Somerset, NJ in 2010-2011.

Fee Based Services, net were \$75 thousand less in 2011-2012 than in 2010-2011. This is mostly attributable to a decrease in Superintendent Searches from the prior year. Net Conference receipts were down \$20 thousand from the prior year due to the discontinuation of two conferences in 2011-2012.

Cash and Investments of \$5.1 million increased \$160 thousand or 3.2% over the prior year's total of \$4.9 million. The success of Workshop enabled the Association to maintain its cash balances.

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.

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 had incurred \$7.6 million for the renovation and had \$669 thousand remaining in the Building Fund. During 2011-2012, \$262 thousand was spent on ongoing projects; \$340 thousand was transferred to the Strategic Plan fund, leaving a balance of \$67,860.

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 represented the NJSBA Board of Directors' desire to reduce the Association's surplus in a way that promotes effective local school board governance. It was applied to any fee-based training program or service provided during the 2011-2012 fiscal year. It covered the cost of attending the October 2011 Workshop which was priced at \$750.00 per board. At June 30, 2012, \$103,623 was unused by the districts and returned to the surplus account. At June 30, 2011, \$781,778 of the \$2,000 credit awarded in the prior year 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	
	2012	2011	Dollars	%
<u>Assets</u>				
Cash and Investments	\$ 5,093,638	\$ 4,933,464	\$ 160,174	3.2%
Accounts Receivable	353,903	181,509	172,394	95.0%
Property, Plant and Equipment - Net	10,279,928	10,474,142	(194,214)	-1.9%
Other Assets	338,758	484,852	(146,094)	-30.1%
<u>Total Assets</u>	<u>\$ 16,066,227</u>	<u>\$ 16,073,967</u>	<u>\$ (7,740)</u>	<u>0.0%</u>
<u>Liabilities</u>				
Current Liabilities	\$ 1,936,002	\$ 2,023,302	\$ (87,300)	-4.3%
Long Term Debt	-	-	-	-
<u>Total Liabilities</u>	<u>\$ 1,936,002</u>	<u>\$ 2,023,302</u>	<u>\$ (87,300)</u>	<u>-4.3%</u>
<u>Net Assets</u>				
Board Designated	\$ 329,706	\$ 730,238	\$ (400,532)	-54.8%
Unrestricted	3,479,385	2,805,120	674,265	24.0%
Net Investment in Facilities	10,279,928	10,474,142	(194,214)	-1.9%
Restricted	41,206	41,165	41	0.1%
	<u>\$ 14,130,225</u>	<u>\$ 14,050,665</u>	<u>\$ 79,560</u>	<u>0.6%</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 16,066,227</u>	<u>\$ 16,073,967</u>	<u>\$ (7,740)</u>	<u>0.0%</u>

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

	June 30		Variance	
	2012	2011	Dollars	%
Membership Dues	\$ 7,146,930	\$ 7,142,871	\$ 4,059	0.1%
Membership Programs	204,682	164,121	40,561	24.7%
<u>Total Memberships</u>	<u>\$ 7,351,612</u>	<u>\$ 7,306,992</u>	<u>\$ 44,620</u>	<u>0.6%</u>
Membership Expenditures:				
Committees	\$ 66,592	\$ 50,170	\$ 16,422	32.7%
Conferences	3,739	3,035	704	23.2%
Membership Services and Programs	229,862	169,839	60,023	35.3%
IT and Strategic Plan Fund Expenses	33,763	49,692	(15,929)	-32.1%
Publications Included with Memberships, Net	83,615	93,047	(9,432)	-10.1%
Travel and Liaison	110,993	106,750	4,243	4.0%
<u>Total Memberships Expenditures</u>	<u>\$ 528,564</u>	<u>\$ 472,533</u>	<u>\$ 56,031</u>	<u>11.9%</u>
Overhead:				
Salaries	\$ 4,623,796	\$ 4,637,194	\$ (13,398)	-0.3%
Personnel Administration and Training	2,047,371	1,958,919	88,452	4.5%
Headquarters Housing	408,022	402,273	5,749	1.4%
Amortization and Depreciation Expense	689,049	671,505	17,544	2.6%
Insurance	79,778	72,670	7,108	9.8%
Office Expense	229,601	217,896	11,705	5.4%
<u>Total Overhead Expenditures</u>	<u>\$ 8,077,617</u>	<u>\$ 7,960,457</u>	<u>\$ 117,160</u>	<u>1.5%</u>
<u>Net Memberships</u>	<u>\$ (1,254,569)</u>	<u>\$ (1,125,998)</u>	<u>\$ (128,571)</u>	<u>11.4%</u>
Workshop Receipts	\$ 1,350,851	\$ 822,322	\$ 528,529	64.3%
Workshop Expenditures	458,276	770,953	(312,677)	-40.6%
<u>Net Workshop</u>	<u>\$ 892,575</u>	<u>\$ 51,369</u>	<u>\$ 841,206</u>	<u>1637.6%</u>

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

	June 30		Variance	
	2012	2011	Dollars	%
Fee Based Service Receipts	\$ 441,818	\$ 500,918	\$ (59,100)	-11.8%
Fee Based Service Expenditures	229,249	213,346	15,903	7.5%
Net Fee Based Services	<u>\$ 212,569</u>	<u>\$ 287,572</u>	<u>\$ (75,003)</u>	<u>-26.1%</u>
Conference Receipts	\$ 62,113	\$ 79,180	\$ (17,067)	-21.6%
Conference Expenditures	20,894	17,868	3,026	16.9%
Net Conferences	<u>\$ 41,219</u>	<u>\$ 61,312</u>	<u>\$ (20,093)</u>	<u>-32.8%</u>
Net Publications	\$ 32,038	\$ 41,523	\$ (9,485)	-22.8%
Misc. Receipts, Net	\$ 46,023	\$ 28,404	\$ 17,619	62.0%
Investment Income	\$ 6,082	\$ 11,538	\$ (5,456)	-47.3%
Net Loss	\$ (24,063)	\$ (644,280)	\$ 620,217	-96.3%
Net Assets, Beginning of Year	\$ 14,050,665	\$ 14,379,967	\$ (329,302)	-2.3%
\$2,000 Credit to Each District 2010-2011*	\$ -	\$ 2,000	\$ (2,000)	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%
Return of Unused \$800 Credit 2011-2012	103,623	-	103,623	0.0%
	<u>\$ 103,623</u>	<u>\$ 314,978</u>	<u>\$ (211,355)</u>	<u>0.0%</u>
Net Assets, End of Year	<u>\$ 14,130,225</u>	<u>\$ 14,050,665</u>	<u>\$ 79,560</u>	<u>0.6%</u>

*Adjustment Due to District Merger

BASIC FINANCIAL STATEMENTS

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 4,648,250	\$ 4,452,391
Cash - Restricted	445,388	481,073
Accounts Receivable, Net of Allowance for Doubtful		
Accounts of \$0 in 2012 and 2011	353,903	181,509
Deferred Pension - Current Portion	44,333	44,333
Prepaid Expenses	80,144	181,905
	<u>5,572,018</u>	<u>5,341,211</u>
<u>Total Current Assets</u>	<u>\$ 5,572,018</u>	<u>\$ 5,341,211</u>
Fixed Assets:		
Land for HQ	\$ 1,686,534	\$ 1,686,534
Land	139,040	139,040
Building and Building Improvements	10,368,252	10,110,608
Furniture and Fixtures	744,287	720,590
Computer Hardware and Software	1,348,790	1,179,628
Telephone System	38,907	38,907
Automobiles	23,440	23,440
	<u>14,349,250</u>	<u>13,898,747</u>
Less: Accumulated Depreciation and Amortization	<u>(4,069,322)</u>	<u>(3,424,605)</u>
	<u>\$ 10,279,928</u>	<u>\$ 10,474,142</u>
<u>Net Fixed Assets</u>	<u>\$ 10,279,928</u>	<u>\$ 10,474,142</u>
Other Assets		
Deferred Pension - Non-Current Portion	<u>214,281</u>	<u>258,614</u>
	<u>\$ 214,281</u>	<u>\$ 258,614</u>
Total Other Assets	<u>\$ 214,281</u>	<u>\$ 258,614</u>
	<u>\$ 16,066,227</u>	<u>\$ 16,073,967</u>
<u>Total Assets</u>	<u>\$ 16,066,227</u>	<u>\$ 16,073,967</u>

See Notes to Financial Statements

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
Current Liabilities:		
Accounts Payable & Accrued Expenses	\$ 821,756	\$ 597,843
Payroll Taxes	18,171	53,832
Deferred Revenue	657,812	462,996
Credit to each district, \$0 and \$800 in 2012 and 2011		468,800
Accrued Vacation Payable	<u>438,263</u>	<u>439,831</u>
<u>Total Current Liabilities</u>	<u>\$ 1,936,002</u>	<u>\$ 2,023,302</u>
Net Assets:		
Board Designated:		
Building Needs Allocation	\$ 67,860	\$ 669,486
Strategic Plan Allocation	249,165	1,054
IT Replacement Allocation	12,681	59,698
Total Board Designated	<u>\$ 329,706</u>	<u>\$ 730,238</u>
Unrestricted	\$ 3,479,385	\$ 2,805,120
Net Investment in Facilities	10,279,928	10,474,142
Restricted	<u>41,206</u>	<u>41,165</u>
Total Net Assets	<u>\$ 14,130,225</u>	<u>\$ 14,050,665</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 16,066,227</u>	<u>\$ 16,073,967</u>

See Notes to Financial Statements

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Membership Dues	\$ 7,146,930	\$ 7,142,871
Membership Programs	204,682	164,121
Total Memberships	<u>7,351,612</u>	<u>7,306,992</u>
Membership Expenditures:		
Committees	\$ 66,592	\$ 50,170
Conferences	3,739	3,035
Membership Services and Programs	229,862	169,839
IT and Strategic Plan Fund Expenses	33,763	49,692
Publications Included with Memberships, Net	83,615	93,047
Travel and Liaison	110,993	106,750
Total Memberships Expenditures	<u>528,564</u>	<u>472,533</u>
Overhead:		
Salaries	\$ 4,623,796	\$ 4,637,194
Personnel Administration and Training	2,047,371	1,958,919
Headquarters Housing	408,022	402,273
Amortization and Depreciation Expense	689,049	671,505
Insurance	79,778	72,670
Office Expense	229,601	217,896
Total Overhead Expenditures	<u>8,077,617</u>	<u>7,960,457</u>
Net Memberships	\$ <u>(1,254,569)</u>	\$ <u>(1,125,998)</u>
Workshop Receipts	\$ 1,350,851	\$ 822,322
Workshop Expenditures	458,276	770,953
Net Workshop	<u>892,575</u>	<u>51,369</u>
Fee Based Service Receipts	\$ 441,818	\$ 500,918
Fee Based Service Expenditures	229,249	213,346
Net Fee Based Services	<u>212,569</u>	<u>287,572</u>
Conference Receipts	\$ 62,113	\$ 79,180
Conference Expenditures	20,894	17,868
Net Conferences	<u>41,219</u>	<u>61,312</u>
Net Publications	\$ <u>32,038</u>	\$ <u>41,523</u>
Miscellaneous Receipts	\$ <u>46,023</u>	\$ <u>28,404</u>
Operating Loss	\$ <u>(30,145)</u>	\$ <u>(655,818)</u>
Non-Operating Revenue:		
Investment Income	\$ <u>6,082</u>	\$ <u>11,538</u>
Net Loss	\$ <u>(24,063)</u>	\$ <u>(644,280)</u>

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Net Assets, Beginning of Year	\$ <u>14,050,665</u>	\$ <u>14,379,967</u>
\$2,000 Credit to Each District 2010-2011*	\$ -	\$ 2,000
Return of Unused \$2,000 Credit 2010-2011	-	781,778
\$800 Credit to Each District 2011-2012	-	(468,800)
Return of Unused \$800 Credit 2011-2012	<u>103,623</u>	<u>-</u>
	\$ <u>103,623</u>	\$ <u>314,978</u>
Net Assets, End of Year	\$ <u><u>14,130,225</u></u>	\$ <u><u>14,050,665</u></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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Cash Flows from Operating Activities:</u>		
Collections from Customers	\$ 9,468,331	\$ 9,033,777
Payments to Vendors and Employees	<u>(8,828,051)</u>	<u>(10,262,085)</u>
Net Cash Provided by (Used for) Operating Activities	\$ <u>640,280</u>	\$ <u>(1,228,308)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchases of Equipment	\$ (450,503)	\$ (4,144,797)
Interest	<u>6,082</u>	<u>11,829</u>
Net Cash Used in Investing Activities	\$ <u>(444,421)</u>	\$ <u>(4,132,968)</u>
<u>Cash Flows from Financing Activities:</u>		
Payment of Debt Obligations	\$ -0-	\$ (3,276)
Interest Expense	<u>-0-</u>	<u>(291)</u>
Net Cash Used by Financing Activities	\$ <u>-0-</u>	\$ <u>(3,567)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 195,859	\$ (5,364,843)
Cash and Cash Equivalents, Beginning of Year	<u>4,452,391</u>	<u>9,817,234</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,648,250</u>	<u>\$ 4,452,391</u>

See Notes to Financial Statements

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF CASH FLOWS FOR THE YEARS
ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Loss to		
Net Cash Provided by Operating Activities:		
Operating Loss	\$ (30,145)	\$ (655,818)
Depreciation	539,629	542,652
Amortization	105,087	84,519
Bad Debt Allowance	1,546	5,949
Deferred Compensation	44,333	44,333
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(173,940)	25,070
Restricted Cash	35,685	(257,334)
Prepaid Expenses	101,762	(59,779)
Accounts Payable and Accrued Expenses	(178,493)	(1,312,162)
Other Liabilities	<u>194,816</u>	<u>354,262</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 640,280</u>	<u>\$ (1,228,308)</u>

See Notes to Financial Statements

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

(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 provide training, advocacy and support to advance public education and promote the achievement of all students through effective governance.

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 services; 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, 2012 AND 2011

(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, 2012 AND 2011

(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, 2012 and 2011.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(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	33½ 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 2011-2012, \$261,569 of the Building Fund was spent on the final phase of the renovation of the Headquarters at 413 West State Street, Trenton, NJ. The cost associated with this renovation was \$3,946,532 in 2010-2011, which included \$78,070 reported as expenditures for office rent and storage, with the balance 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, 2012 AND 2011

(2) CASH – RESTRICTED

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

	<u>2012</u>	<u>2011</u>
Self-Funded Unemployment Benefits	\$ 41,206	\$ 41,164
Trust – ACES	<u>404,182</u>	<u>439,909</u>
	<u>\$445,388</u>	<u>\$481,073</u>

(3) INVESTMENTS

At June 30, 2012 and 2011, 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 \$340,263 and \$100,000, and IT projects and equipment totaling \$0 and \$100,000. The Building Fund had no additions in the current or prior year.

The Strategic Plan Fund had a balance of \$1,054 at June 30, 2011. During that year, 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. During the current year, \$340,263 was deemed unnecessary in the Building Fund so the Board of Directors' approved the transfer into this fund. They also approved the new strategic plan for the coming years. Of that amount, \$75,509 was once again used by the IT department to improve and streamline our delivery of services to our members. \$15,400 was used to provide a new compensation study of our staff with another \$7,700 to be spent in 2012-2013.

No additions were made to the IT Fund in 2011, and \$170,000 was authorized for IT purposes in 2010. Of the \$59,698 balance at June 30, 2011, \$22,482 was spent on hardware and \$24,534 was spent on software during 2012. \$41,678 was used during 2011 for outside services and equipment upgrades.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(4) DESIGNATED NET ASSETS (CONTINUED)

During 2012, \$261,569 was expended from the Building Fund for renovations, \$340,263 was transferred to the Strategic Plan Fund, and interest income was \$207. 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.

(5) PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows for June 30:

	<u>2012</u>	<u>2011</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	10,368,252	10,110,608
Furniture and Fixtures	642,860	619,164
Computer	1,348,791	1,179,628
Office Equipment	101,426	101,426
Telephone System	38,907	38,907
Van	<u>23,440</u>	<u>23,440</u>
Total Property and Equipment	<u>\$ 14,349,250</u>	<u>\$ 13,898,747</u>
Accumulated Depreciation and Amortization		
Building and Improvements	\$ 2,800,095	\$ 2,488,737
Furniture and Fixtures	125,019	61,918
Computer	1,018,214	767,368
Office Equipment	86,561	74,948
Telephone System	15,993	12,104
Van	<u>23,440</u>	<u>19,530</u>
Less: Total Accumulated Depreciation and Amortization	<u>4,069,322</u>	<u>3,424,605</u>
	<u>\$ 10,279,928</u>	<u>\$ 10,474,142</u>

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

(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. Senate Bill S 2937 and Assembly Bill A 4133 provided for an increase in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the bill's effective date for PERS which was June 28, 2011. The increase to 6.5% occurred in the first pay received in October 2011. PERS provides for employee contributions of above mentioned percentages 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 \$535,428 and \$531,845 to PERS for the fiscal years ended June 30, 2012 and 2011, respectively.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(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 were eligible to participate. The Association provides 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, are placed in a qualified deferred annuity. The employee is able to contribute a minimum of 1% to a maximum of 8% of the annual salary. The program was suspended for the 2011-2012 and the 2010-2011 fiscal years.

(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 2012 and 2011, the Association spent \$898,759 and \$847,588 on staff health care which was offset by contributions of \$92,098 and \$91,604, or 10.2% and 10.8%, respectively.

Staff may also opt out of coverage. In both 2012 and 2011, 15 staff members have done so, saving the Association \$175,853 and \$139,499, respectively.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(7) EMPLOYEE HEALTH INSURANCE (CONTINUED)

Contributions by Employees (Continued)

In the same legislation (S 2937/A 4133) 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, 2012 AND 2011

(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, 2012 and 2011 were \$133,918 and \$131,988, respectively, which equaled the required contributions for each year. Additionally, the Association reimbursed seven retirees for Part B Federal Medicare premiums, as well as the payment of health insurance premiums required by the program for a cost of \$8,105 and \$8,102 for the years ended June 30, 2012 and 2011, respectively.

(9) LEASES

Operating Leases

The Association currently leases various equipment under non-cancelable operating lease agreements expiring on various dates through February 28, 2017. Future minimum lease payments under all non-cancelable operating leases as of June 30, 2012 are as follows:

	<u>Amounts</u>
Year Ending:	
2013	\$ 31,235
2014	31,235
2015	31,235
2016	13,994
2017	3,480
Thereafter	<u>-0-</u>
Total	<u>\$111,179</u>

Total rent expenses, inclusive of usage charges on leased equipment, included as a charge to operations amounted to \$33,805 and \$31,324 in 2012 and 2011, respectively.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

(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 provided each local school board with an \$800 service credit for use during the 2011-2012 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, 2012 and 2011 of \$103,623 and \$781,778 respectfully, 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 14, 2012, 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.