

Annual
Financial Report

of the

New Jersey School Boards Association

for the

Years Ended
June 30, 2015 and 2014

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

Report on the Financial Statements

We have audited the accompanying financial statements of the New Jersey School Boards Association, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

SUPLEE, CLOONEY & COMPANY

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the New Jersey School Boards Association, as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

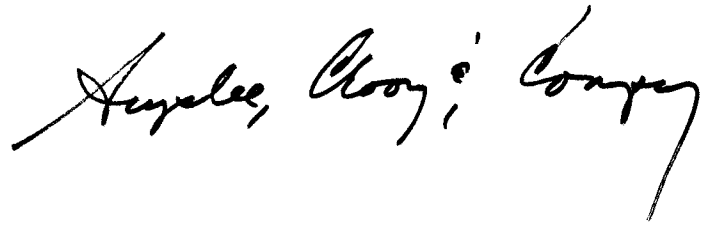
Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2015 on our consideration of the New Jersey School Boards Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Jersey School Boards Association's internal control over financial reporting and compliance.

September 11, 2015

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive style with a large, sweeping flourish at the end.



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF BASIC 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, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Jersey School Boards Association as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise New Jersey School Boards Association's financial statements, and have issued our report thereon dated September 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Jersey School Boards Association's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of New Jersey School Boards Association's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

SUPLEE, CLOONEY & COMPANY

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Jersey School Boards Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 11, 2015

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, 2015 and 2014. 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, 2015 and 2014. The Association's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

Audit Assurance

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

Financial Highlights

Total assets at June 30, 2015 were \$14.8 million, a decrease of \$84 thousand from the prior year's total assets of \$14.9 million. The decrease was comprised of an increase in cash of \$466,072, a decrease in accounts receivable of \$42,144, and a reduction in property, plant, and equipment and other assets of \$508,000, mostly due to depreciation and amortization of these assets. Total liabilities were \$1.8 million in 2015 and \$1.4 million in 2014. An increase of \$159 thousand in accounts payable and accrued liabilities was mostly due to payroll related items and computer hardware and software purchases. There was also an increase in deferred revenue in 2014-2015 of \$191,111 from Workshop exhibitors of \$132,881 and Membership activities of \$58,230.

Membership dues were held constant year to year. The New Jersey School Boards Association Board of Directors approved for the districts affected by Hurricane Sandy, an opportunity to apply for a grant to receive a 25% reduction in their 2013-2014 dues. 19 districts applied for and received the grant for a total of \$47,401. Net membership expenditures were basically flat year to year at \$565 thousand.

Overhead expenditures increased \$319,301 in 2014-2015. Salaries have increased by \$73,725 and Personnel Administration has also increased by \$168,809 due to the use of temporary help included in this area.

The 2015 Workshop accounts resulted in an increase of 10% over the 2014 Workshop. Receipts exceeded the prior year by \$166,659 with a corresponding increase in costs of \$137,873, resulting in a net increase of \$28,786.

Fee Based Services billed \$30,595 more this year than last year. Customized Policy Writing and Strategic Plan Services billed less and Superintendent Searches and Salary Guide Services billed more than 2013-2014. The expenditures were slightly higher than last year.

Conference receipts exceeded last year by \$37,431, due to two additional programs. These two programs caused expenditures to increase also, by \$21,706.

Financial Highlights (Continued)

Cash and Investments of \$5.3 million was \$388,514 higher in 2014-2015 than 2013-2014. Cash provided by operations was \$434,165. This amount is \$57,976 higher than last year. \$28,786 of this amount is attributable to our very successful Workshop. Cash flows used for investing activities is \$45,651, an amount that is \$118,249 less than last year. We purchased less equipment in 2014-2015 than in 2013-2014.

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 Position; a Statement of Revenues, Expenses and Changes to Net Position; a Statement of Cash Flows; and notes to the financial statements.

The Statement of Net Position 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 position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Association is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position 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 federation of all of the states' boards of education. Each district is required to pay dues annually 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.

Capital Plan

The Building Fund was established to provide the resources to pay for the renovation of the Association's headquarters in Trenton in 2010. During 2014-2015 and 2013-2014, the only change was from a small amount of interest earned on the account and bank charges, leaving a balance of \$51,676 in 2015 versus \$51,777 in 2014.

Use of Surplus

In May 2015, the Board of Directors approved a transfer from surplus to the Strategic Plan Fund in the amount of \$300,000 to cover the expenses of implementing elements of the 2015-2017 Strategic Plan. A grant was offered during 2013-2014 of a 25% dues reduction to those districts affected by Hurricane Sandy. 19 districts received the grant for a total of \$47,401.

Contacting the Association's Management

If there are any questions concerning the Association's report or if additional information is needed, please contact Dr. Lawrence S. Feinsod, executive director; New Jersey School Boards Association, 413 West State Street, Trenton, New Jersey 08618.

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 Position

| | June 30 | | Variance | |
|---|-----------------------------|-----------------------------|---------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> | <u>Dollars</u> | <u>%</u> |
| Assets | | | | |
| Cash and Cash Equivalents - Unrestricted | \$ 5,293,214 | \$ 4,904,700 | \$ 388,514 | 7.9% |
| Cash - Restricted | 168,041 | 90,483 | 77,558 | 85.7% |
| Accounts Receivable | 201,024 | 243,168 | (42,144) | -17.3% |
| Property, Plant and Equipment - Net | 8,952,733 | 9,402,841 | (450,108) | -4.8% |
| Other Assets | 220,079 | 277,971 | (57,892) | -20.8% |
| Total Assets | <u>\$ 14,835,091</u> | <u>\$ 14,919,163</u> | <u>\$ (84,072)</u> | <u>-0.6%</u> |
| Liabilities: | | | | |
| Current Liabilities | \$ 1,769,575 | \$ 1,418,743 | \$ 350,832 | 24.7% |
| Total Liabilities | <u>\$ 1,769,575</u> | <u>\$ 1,418,743</u> | <u>\$ 350,832</u> | <u>24.7%</u> |
| Net Position: | | | | |
| Board Designated | \$ 353,419 | \$ 55,517 | \$ 297,902 | 536.6% |
| Unrestricted | 3,718,090 | 4,000,805 | (282,715) | -7.1% |
| Net Investment in Facilities | 8,952,733 | 9,402,841 | (450,108) | -4.8% |
| Restricted | 41,274 | 41,257 | 17 | 0.0% |
| | <u>\$ 13,065,516</u> | <u>\$ 13,500,420</u> | <u>\$ (434,904)</u> | <u>-3.2%</u> |
| Total Liabilities and Net Position | <u>\$ 14,835,091</u> | <u>\$ 14,919,163</u> | <u>\$ (84,072)</u> | <u>-0.6%</u> |

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

| | June 30 | | Variance | |
|---|------------------------------|------------------------------|----------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> | <u>Dollars</u> | <u>%</u> |
| Membership Dues | \$ 7,114,310 | \$ 7,066,907 | \$ 47,403 | 0.7% |
| Membership Programs | 289,504 | 244,543 | 44,961 | 18.4% |
| Total Memberships | <u>\$ 7,403,814</u> | <u>\$ 7,311,450</u> | <u>\$ 92,364</u> | <u>1.3%</u> |
| Membership Expenditures: | | | | |
| Committees | \$ 66,068 | \$ 88,430 | \$ (22,362) | -25.3% |
| Conferences | 108,761 | 82,428 | 26,333 | 31.9% |
| Membership Services & Programs | 140,228 | 135,298 | 4,930 | 3.6% |
| IT & Strategic Plan Fund Expenses | 1,997 | 31,753 | (29,756) | -93.7% |
| Publications included with Memberships, Net | 114,631 | 70,294 | 44,337 | 63.1% |
| Travel & Liaison | 133,258 | 157,075 | (23,817) | -15.2% |
| Total Memberships Expenditures | <u>\$ 564,943</u> | <u>\$ 565,278</u> | <u>\$ (335)</u> | <u>-0.1%</u> |
| Overhead: | | | | |
| Salaries | \$ 5,279,556 | \$ 5,205,831 | \$ 73,725 | 1.4% |
| Personnel Administration & Training | 2,271,091 | 2,102,283 | 168,808 | 8.0% |
| Headquarters Housing | 501,665 | 450,206 | 51,459 | 11.4% |
| Amortization & Depreciation Expense | 499,578 | 582,953 | (83,375) | -14.3% |
| Insurance | 82,699 | 79,679 | 3,020 | 3.8% |
| Office Expense | 368,609 | 262,945 | 105,664 | 40.2% |
| Total Overhead Expenditures | <u>\$ 9,003,198</u> | <u>\$ 8,683,897</u> | <u>\$ 319,301</u> | <u>3.7%</u> |
| Net Memberships | <u>\$ (2,164,327)</u> | <u>\$ (1,937,725)</u> | <u>\$ (226,602)</u> | <u>11.7%</u> |

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

| | June 30 | | Variance | |
|---------------------------------|-----------------------------|-----------------------------|----------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> | <u>Dollars</u> | <u>%</u> |
| Workshop Receipts | \$ 1,825,592 | \$ 1,658,933 | \$ 166,659 | 10.0% |
| Workshop Expenditures | 816,611 | 678,738 | 137,873 | 20.3% |
| Net Workshop | <u>\$ 1,008,981</u> | <u>\$ 980,195</u> | <u>\$ 28,786</u> | <u>2.9%</u> |
| Fee Based Service Receipts | \$ 535,661 | \$ 505,066 | \$ 30,595 | 6.1% |
| Fee Based Service Expenditures | 107,933 | 103,558 | 4,375 | 4.2% |
| Net Fee Based Services | <u>\$ 427,728</u> | <u>\$ 401,508</u> | <u>\$ 26,220</u> | <u>6.5%</u> |
| Conference Receipts | \$ 187,180 | \$ 149,749 | \$ 37,431 | 25.0% |
| Conference Expenditures | 76,821 | 55,115 | 21,706 | 39.4% |
| Net Conferences | <u>\$ 110,359</u> | <u>\$ 94,634</u> | <u>\$ 15,725</u> | <u>16.6%</u> |
| Net Publications | \$ 22,295 | \$ 25,935 | \$ (3,640) | -14.0% |
| Misc. Receipts, Net | \$ 156,241 | \$ 119,254 | \$ 36,987 | 31.0% |
| Investment Income | \$ 3,819 | \$ 3,958 | \$ (139) | -3.5% |
| Net Loss | \$ (434,904) | \$ (312,241) | \$ (122,663) | 39.3% |
| Net Position, Beginning of Year | <u>\$ 13,500,420</u> | <u>\$ 13,812,661</u> | <u>\$ (312,241)</u> | <u>-2.3%</u> |
| Net Position, End of Year | <u><u>\$ 13,065,516</u></u> | <u><u>\$ 13,500,420</u></u> | <u><u>\$ (434,904)</u></u> | <u><u>-3.2%</u></u> |

BASIC FINANCIAL STATEMENTS

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

| <u>Assets</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| Current Assets: | | |
| Cash and Cash Equivalents - Unrestricted | \$ 5,293,214 | \$ 4,904,700 |
| Cash - Restricted | 168,041 | 90,483 |
| Accounts Receivable | 201,024 | 243,168 |
| Deferred Pension - Current Portion | 44,333 | 44,333 |
| Prepaid Expenses | <u>94,464</u> | <u>108,023</u> |
| <u>Total Current Assets</u> | <u>\$ 5,801,076</u> | <u>\$ 5,390,707</u> |
| Fixed Assets: | | |
| Land for HQ | \$ 1,686,534 | \$ 1,686,534 |
| Land | 139,040 | 139,040 |
| Building and Building Improvements | 10,385,761 | 10,385,761 |
| Furniture and Fixtures | 766,637 | 762,798 |
| Computer Hardware and Software | 1,627,167 | 1,581,536 |
| Telephone System | 38,907 | 38,907 |
| Automobiles | <u>23,440</u> | <u>23,440</u> |
| | \$ 14,667,486 | \$ 14,618,016 |
| Less: Accumulated Depreciation and Amortization | <u>(5,714,753)</u> | <u>(5,215,175)</u> |
| <u>Net Fixed Assets</u> | <u>\$ 8,952,733</u> | <u>\$ 9,402,841</u> |
| Other Assets | | |
| Deferred Pension - Non-Current Portion | \$ <u>81,282</u> | \$ <u>125,615</u> |
| Total Other Assets | <u>\$ 81,282</u> | <u>\$ 125,615</u> |
| <u>Total Assets</u> | <u>\$ 14,835,091</u> | <u>\$ 14,919,163</u> |

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

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

LIABILITIES AND NET POSITION

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| Current Liabilities: | | |
| Accounts Payable and Accrued Expenses | \$ 480,464 | \$ 371,664 |
| Payroll Taxes | 30,266 | 30,762 |
| Deferred Revenue | 775,576 | 584,466 |
| Accrued Vacation Payable | <u>483,269</u> | <u>431,851</u> |
| <u>Total Current Liabilities</u> | <u>\$ 1,769,575</u> | <u>\$ 1,418,743</u> |
| Net Position: | | |
| Unrestricted - Board Designated: | | |
| Building Needs Allocation | \$ 51,676 | \$ 51,777 |
| Strategic Plan Allocation | <u>301,743</u> | <u>3,740</u> |
| Total Unrestricted - Board Designated | <u>\$ 353,419</u> | <u>\$ 55,517</u> |
| Unrestricted - Undesignated | \$ 3,718,090 | \$ 4,000,805 |
| Net Investment in Capital Assets | 8,952,733 | 9,402,841 |
| Restricted | <u>41,274</u> | <u>41,257</u> |
| Total Net Position | <u>\$ 13,065,516</u> | <u>\$ 13,500,420</u> |
| <u>TOTAL LIABILITIES AND NET POSITION</u> | <u>\$ 14,835,091</u> | <u>\$ 14,919,163</u> |

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

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------------|-----------------------------|
| Membership Dues | \$ 7,114,310 | \$ 7,066,907 |
| Membership Programs | <u>289,504</u> | <u>244,543</u> |
| Total Memberships | <u>7,403,814</u> | <u>7,311,450</u> |
| Membership Expenditures: | | |
| Committees | \$ 66,068 | \$ 88,430 |
| Conferences | 108,761 | 82,428 |
| Membership Services and Programs | 140,228 | 135,298 |
| Strategic Plan Fund Expenses | 1,997 | 31,753 |
| Publications Included with Memberships, Net | 114,631 | 70,294 |
| Travel and Liaison | <u>133,258</u> | <u>157,075</u> |
| Total Memberships Expenditures | <u>564,943</u> | <u>565,278</u> |
| Overhead: | | |
| Salaries | \$ 5,279,556 | \$ 5,205,831 |
| Personnel Administration and Training | 2,271,091 | 2,102,283 |
| Headquarters Housing | 501,665 | 450,206 |
| Amortization and Depreciation Expense | 499,578 | 582,953 |
| Insurance | 82,699 | 79,679 |
| Office Expense | <u>368,609</u> | <u>262,945</u> |
| Total Overhead Expenditures | <u>9,003,198</u> | <u>8,683,897</u> |
| Net Memberships | <u>\$ (2,164,327)</u> | <u>\$ (1,937,725)</u> |
| Workshop Receipts | \$ 1,825,592 | \$ 1,658,933 |
| Workshop Expenditures | <u>816,611</u> | <u>678,738</u> |
| Net Workshop | <u>1,008,981</u> | <u>980,195</u> |
| Fee Based Service Receipts | \$ 535,661 | \$ 505,066 |
| Fee Based Service Expenditures | <u>107,933</u> | <u>103,558</u> |
| Net Fee Based Services | <u>427,728</u> | <u>401,508</u> |
| Conference Receipts | \$ 187,180 | \$ 149,749 |
| Conference Expenditures | <u>76,821</u> | <u>55,115</u> |
| Net Conferences | <u>110,359</u> | <u>94,634</u> |
| Net Publications | <u>\$ 22,295</u> | <u>\$ 25,935</u> |
| Miscellaneous Receipts, Net | <u>\$ 156,241</u> | <u>\$ 119,254</u> |
| Operating Loss | \$ (438,723) | \$ (316,199) |
| Investment Income | <u>3,819</u> | <u>3,958</u> |
| Net Loss | <u>\$ (434,904)</u> | <u>\$ (312,241)</u> |
| Net Position, Beginning of Year | <u>\$ 13,500,420</u> | <u>\$ 13,812,661</u> |
| Net Position, End of Year | <u><u>\$ 13,065,516</u></u> | <u><u>\$ 13,500,420</u></u> |

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

NEW JERSEY SCHOOL BOARDS ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|----------------------------|
| <u>Cash Flows from Operating Activities:</u> | | |
| Collections from Customers | \$ 10,367,128 | \$ 10,156,126 |
| Payments to Vendors and Employees | <u>(9,932,963)</u> | <u>(9,779,937)</u> |
| Net Cash Provided by Operating Activities | \$ <u>434,165</u> | \$ <u>376,189</u> |
| <u>Cash Flows from Investing Activities:</u> | | |
| Purchases of Equipment | \$ (49,470) | \$ (159,858) |
| Interest | <u>3,819</u> | <u>3,958</u> |
| Net Cash Used by Investing Activities | \$ <u>(45,651)</u> | \$ <u>(155,900)</u> |
| Net Increase in Cash and Cash Equivalents | \$ 388,514 | \$ 220,289 |
| Cash and Cash Equivalents, Beginning of Year | \$ <u>4,904,700</u> | \$ <u>4,684,411</u> |
| Cash and Cash Equivalents, End of Year | \$ <u><u>5,293,214</u></u> | \$ <u><u>4,904,700</u></u> |
| Reconciliation of Operating Income to | | |
| Net Cash Provided by Operating Activities: | | |
| Operating Loss | \$ (438,723) | \$ (316,200) |
| Depreciation | 418,407 | 447,655 |
| Amortization | 81,171 | 90,965 |
| Deferred Compensation | 44,333 | 44,333 |
| Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | 42,143 | (74,137) |
| Restricted Cash | (77,558) | 183,129 |
| Prepaid Expenses | 13,559 | (2,967) |
| Accounts Payable and Accrued Expenses | 159,723 | (97,088) |
| Other Liabilities | <u>191,110</u> | <u>100,499</u> |
| Net Cash Provided by Operating Activities | \$ <u><u>434,165</u></u> | \$ <u><u>376,189</u></u> |

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

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(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;
- 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, may 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, 2015 AND 2014

(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 entity 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.

Reclassifications

Certain reclassifications have been made to the financial statements to better reflect the true costs of salaries. As a result, the cost of fee based services has decreased and the cost of salaries has increased by the same amount as of June 30, 2014 to conform to the June 30, 2015 presentation. These reclassifications had no impact on the change in net position.

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, 2015 AND 2014

(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, 2015 and 2014.

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 |

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

(2) CASH – RESTRICTED

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

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|------------------|-----------------|
| Self-Funded Unemployment Benefits | \$ 41,274 | \$ 41,257 |
| Trust – ACES | <u>126,767</u> | <u>49,226</u> |
| | <u>\$168,041</u> | <u>\$90,483</u> |

(3) INVESTMENTS

At June 30, 2015 and 2014, 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.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(4) DESIGNATED NET POSITION

The Association has designated certain unrestricted net position. There were no additions to any funds during the current or prior fiscal year.

The Strategic Plan Fund received a transfer of \$300,000 which was approved by the Board of Directors in May 2015 to cover the expenses of implementing elements of the 2015-2017 strategic plan. This fund spent \$1,997 during the current year and \$156,966 during the prior year leaving a balance of \$301,743 in 2015 and \$3,740 in 2014. The majority of the usage in both years was used to pay for IT related activity that was necessary to fulfill the goals of the previous strategic plan. \$15,995 was used in 2014 to purchase an upgrade of EXPOCAD, a program used in conjunction with our association management software, which lays out the floor plan of our exhibitors at Workshop in a more efficient manner.

The IT Fund has no balance at June 30, 2015 and \$1,904 at June 30, 2014.

The Building Fund was established to provide the resources to pay for the renovation of the Trenton, NJ headquarters. During the current year, the only activity was interest earned on the account and some bank charges. The fund has a balance of \$51,676 at June 30, 2015 and \$51,777 at June 30, 2014. We expect to hire a consultant in early 2015-2016 to do a feasibility study in order to achieve a Leadership in Energy & Environmental Design (LEED) rating through the U.S. Green Building Council (USGBC). This rating is part of the existing building operation and maintenance (EBO+M) rating system available through the USGBC.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(5) PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows for June 30:

| | <u>2015</u> | <u>2014</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 | 10,385,761 | 10,385,761 |
| Furniture and Fixtures | 653,831 | 653,831 |
| Computer | 1,627,168 | 1,581,536 |
| Office Equipment | 112,805 | 108,967 |
| Telephone System | 38,907 | 38,907 |
| Van | <u>23,440</u> | <u>23,440</u> |
| Total Property and Equipment | \$ <u>14,667,486</u> | \$ <u>14,618,016</u> |

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Accumulated Depreciation and Amortization | | |
| Building and Improvements | \$ 3,735,437 | \$ 3,423,549 |
| Furniture and Fixtures | 320,618 | 255,237 |
| Computer | 1,502,900 | 1,388,654 |
| Office Equipment | 104,695 | 100,520 |
| Telephone System | 27,665 | 23,775 |
| Van | <u>23,440</u> | <u>23,440</u> |
| Less: Total Accumulated Depreciation and Amortization | <u>5,714,755</u> | <u>5,215,175</u> |
| | \$ <u>8,952,731</u> | \$ <u>9,402,841</u> |

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(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. 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 \$517,123 and \$498,466 to PERS for the fiscal years ended June 30, 2015 and 2014, respectively.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(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.

(7) EMPLOYEE HEALTH INSURANCE

Contributions by Employees

The Association staff members contribute from 10% to 35% of the total premium cost. In the same legislation (S 2937/A 4133) referred to above in the Funding Policy for PERS section, health care contributions are incrementally changing over the four year period, effective June 28, 2011. This change will be determined by type of coverage: single, family, member/spouse/partner/child coverage, and by salary.

In 2015 and 2014, the Association spent \$1,028,765 and \$969,870 on staff health care, which was offset by contributions of \$240,223 and \$167,970, or 23.4% and 17.3%, respectively.

Staff may also opt out of coverage. In 2015 and 2014, between 12 and 14, and 10 and 12 staff members have done so, saving the Association \$181,343 and \$140,426, respectively.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(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 ten retirees who meet this requirement and are receiving benefits. In addition, there are two current employees who are eligible upon their retirement.

Plan Description

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

Funding Policy

Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Association on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Association's contributions to SHBP for the years ended June 30, 2015 and 2014 were \$120,922 and \$130,899, respectively, which equaled the required contributions for each year. Additionally, the Association reimbursed seven retirees in 2015 and eight in 2014 for Part B Federal Medicare premiums, as well as the payment of health insurance premiums required by the program for a cost of \$17,547 and \$11,245 for the years ended June 30, 2015 and 2014, respectively.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(9) LEASES

Operating Leases

The Association currently leases various equipment under non-cancelable operating lease agreements expiring on various dates through June 30, 2020. Future minimum lease payments under all non-cancelable operating leases as of June 30, 2015 are as follows:

| Year Ending: | <u>Amounts</u> |
|--------------|-----------------|
| 2016 | \$21,463 |
| 2017 | 14,086 |
| 2018 | 11,041 |
| 2019 | 11,041 |
| Thereafter | <u>5,520</u> |
| Total | <u>\$63,151</u> |

Total rent expenses, inclusive of usage charges on leased equipment, included as a charge to operations amounted to \$37,786 and \$37,674 in 2015 and 2014, respectively.

(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 formed a Trust that agreed to share equally the direct administrative costs and expenses that were incurred by ACES during the startup process.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(11) USE OF SURPLUS

At the May 15, 2015 Board of Directors meeting, \$300,000 of surplus was authorized to cover the expenses of implementing elements of the 2015-2017 Strategic Plan. None of it was used as of June 30, 2015. During 2013-2014, NJSBA provided each local school board affected by Hurricane Sandy the opportunity to apply for a 25% dues reduction grant. 19 districts received the grant for a total of \$47,401.

(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 11, 2015, 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 state.

