



Annual Report  
**2010**

National Association of Secondary School Principals



## National Association of Secondary School Principals

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# A Message to Our Members



Jana Frieler  
President, NASSP



Gerald N. Tirozzi  
Executive Director, NASSP

It is with great pleasure that we provide you, the members of the National Association of Secondary School Principals, with this annual report for the year ended June 30, 2010. In this report, you will see that your organization has taken the necessary steps, not only to survive the Great Recession but also to be positioned to succeed in the recovery.

Whenever you review your performance, it is important to look at your environment. We believe a quick scan of the issues facing our members has a significant bearing on how NASSP faces its future. Principals, assistant principals and other school leaders are facing enormous pressure as state, district, and local budgets are squeezed. In fact, the 2010 Phi Delta Kappa/Gallop Poll states “Americans said school funding tops the list of the biggest problems facing the schools in their community.” This pressure affects your association as members, reacting to budget pressures, are forced to reduce their participation or cancel plans to attend professional development programs. With the pressure to perform, to avoid the stigma of a “failing school,” members tell us they feel more isolated in their role than ever before. NASSP is taking the lead in addressing these issues through federal advocacy, dissemination of best practices, and developing virtual communities in which its members can connect.

In the pages that follow, you will discover how your association’s actions to address these issues translated into financial results. These audited statements present the results of our activities for the year. As is our practice, the NASSP Board of Directors oversaw the audit process and received the audit report directly from our audit firm, Larson Allen LLP. This year’s audit report again presents an unqualified, or clean, opinion. It is our desire that NASSP have an open and responsive governance structure. The financial transparency demonstrated throughout this report is one component of that open and responsive governance.

In 2010, the challenges presented by the recession fully impacted NASSP. With careful resource management, coupled with the austerity moves implemented in 2009, we successfully addressed those challenges. Our operations once again returned a reasonable operating profit. Our long-term reserves rebounded from the prior year and returned strong results, further lifting net assets. In addition, our defined benefit plan, which has long been a financial drag on results, saw gains due to the prudent investment choices made over the past several years.

As your representatives, we want to thank you for your continued support of NASSP and for your dedication and commitment to educating the youth of this great nation.

Sincerely,

Jana Frieler  
President, 2010–11

Gerald N. Tirozzi  
Executive Director

# Board of Directors

## *President*

**Jana Frieler**, Principal on Special Assignment  
Cherry Creek School District  
Greenwood Village, CO

## *President-Elect*

**Ken Griffith**, Assistant Principal  
Guernsey-Sunrise Jr./Sr. High School  
Guernsey, WY

**Michael E. Allison**, Principal  
Hopewell High School  
Aliquippa, PA

**G.A. Buie**, Principal  
Eudora High School  
Eudora, KS

**Steven J. Buhrow**, Principal  
Colo-NESCO Community Schools  
Colo, IA

**David S. Ellena**, Assistant Principal  
Providence Middle School  
Richmond, VA

**Jayne Ellspermann**, Principal  
West Port High School  
Ocala, FL

**Denise Greene-Wilkinson**, Principal  
Polaris K-12 School  
Anchorage, AK

**Jane Griffin**, Principal  
Winnfield Senior High School  
Winnfield, LA

**Allyn Hutton**, Superintendent  
Kittery School Department  
Kittery, ME

**Beverly J. Hutton**, Principal  
Burlington County  
Institute of Technology  
Mount Holly, NJ

**Suzi M. Jensen**, Principal  
Clearfield High School  
Clearfield, UT

**Jerry Keepers**, Principal  
Southern High School  
Louisville, KY

**Tracey Lamb**, Principal  
North Bullitt High School  
Shepherdsville, KY

**Lawrence W. Lenz**, Principal  
Essex High School  
Tappahannock, VA

**Donald Macrino**, Principal  
Waterford High School  
Waterford, CT

**Kent Mann**, Principal  
Grand Island High School  
Grand Island, NE

**Jill Martin**, Principal  
Pine Creek High School  
Colorado Springs, CO

**Bob Moore**, Principal  
Manhattan High School  
Manhattan, MT

**Dora Olivares**, Principal  
Gering Jr. High School  
Gering, NE

**Barbara-Jane (BJ) Paris**, Principal  
Canyon Vista Middle School  
Austin, TX

**William J. Scaletta**, Principal  
Lakeshore High School  
Stevensville, MI

**Kim Slotsve**, Principal  
Red River High School  
Grand Forks, ND

**Richard Snyder**, Principal  
Greece Athena High School  
Rochester, NY

*Executive Director*  
**Gerald N. Tirozzi**

# Independent Auditors' Report



**LarsonAllen**<sup>®</sup>  
LLP

CPAs, Consultants & Advisors  
www.larsonallen.com

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
National Association of Secondary School Principals  
Reston, Virginia

We have audited the accompanying statement of financial position of National Association of Secondary School Principals as of June 30, 2010, and the related statements of activities and cash flows for the year 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 National Association of Secondary School Principals as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*LarsonAllen LLP*  
LarsonAllen LLP

Arlington, Virginia  
September 30, 2010



(1)  
LarsonAllen LLP is a member of Nexia International,  
a worldwide network of independent accounting and consulting firms.

# Financial Statements

## STATEMENT OF FINANCIAL POSITION, JUNE 30, 2010

### ASSETS

#### CURRENT ASSETS

Cash and Cash Equivalents .....	\$2,307,425
Short-Term Investments .....	2,006,019
Accounts Receivable, Net .....	1,335,792
Contributions Receivable, Net .....	208,937
Inventory .....	849,093
Prepaid Expenses .....	<u>310,008</u>
Total Current Assets .....	7,017,274

#### NONCURRENT ASSETS

Property and Equipment, Net .....	4,108,670
Board-Designated Investments .....	5,794,552
Deposits and Other Assets .....	<u>375,033</u>
Total Noncurrent Assets .....	<u>10,278,255</u>
Total Assets .....	<u>\$17,295,529</u>

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accounts Payable .....	\$1,071,842
Accrued Expenses .....	1,655,371
Deferred Revenue .....	4,013,083
Current Portion of Retirement Benefits .....	88,708
Current Portion of Notes Payable .....	81,360
Royalty Advance .....	<u>162,512</u>
Total Current Liabilities .....	7,072,876

#### NONCURRENT LIABILITIES

Long-Term Portion of Retirement Benefits .....	2,449,637
Long-Term Portion of Notes Payable .....	<u>2,190,580</u>
Total Noncurrent Liabilities .....	<u>4,640,217</u>
Total Liabilities .....	11,713,093

#### NET ASSETS

Unrestricted .....	4,333,761
Temporarily Restricted .....	<u>1,248,675</u>
Total Net Assets .....	<u>5,582,436</u>
Total Liabilities and Net Assets .....	<u>\$ 17,295,529</u>

See accompanying Notes to Financial Statements.



**STATEMENT OF ACTIVITIES, YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Membership Dues.....	\$ 8,807,995	\$ -	\$ -	\$ 8,807,995
Sales and Handling Charges.....	7,367,257	-	-	7,367,257
Grants, Contracts, and Contributions .....	1,742,672	659,878	-	2,402,550
Conferences and Meetings .....	1,673,573	-	-	1,673,573
Assessment Center Fees.....	130,734	-	-	130,734
Advertising .....	390,854	-	-	390,854
Royalties.....	741,646	-	-	741,646
Other Income .....	1,023,771	-	-	1,023,771
Net Assets Released from Restrictions.....	<u>815,262</u>	<u>(775,781)</u>	<u>(39,481)</u>	<u>-</u>
Total Support and Revenue.....	22,693,764	(115,903)	(39,481)	22,538,380
<b>EXPENSE</b>				
<b>Program Services:</b>				
Student Services .....	7,718,826	-	-	7,718,826
Joint Programs.....	1,637,387	-	-	1,637,387
Professional Development.....	2,480,702	-	-	2,480,702
Special Services .....	3,738,105	-	-	3,738,105
Professional Status .....	<u>489,298</u>	<u>-</u>	<u>-</u>	<u>489,298</u>
Total Program Services.....	16,064,318	-	-	16,064,318
<b>Supporting Services:</b>				
Association Management .....	2,383,190	-	-	2,383,190
Membership Development.....	<u>3,592,507</u>	<u>-</u>	<u>-</u>	<u>3,592,507</u>
Total Supporting Services .....	<u>5,975,697</u>	<u>-</u>	<u>-</u>	<u>5,975,697</u>
Total Expense.....	<u>22,040,015</u>	<u>-</u>	<u>-</u>	<u>22,040,015</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES.....	653,749	(115,903)	(39,481)	498,365
<b>OTHER INCOME AND EXPENSES</b>				
Investment Income.....	658,208	-	-	658,208
Pension-related Changes Other Than Net Periodic Pension Costs.....	<u>691,374</u>	<u>-</u>	<u>-</u>	<u>691,374</u>
CHANGE IN NET ASSETS.....	2,003,331	(115,903)	(39,481)	1,847,947
Net Assets - Beginning of Year .....	<u>2,330,430</u>	<u>1,364,578</u>	<u>39,481</u>	<u>3,734,489</u>
NET ASSETS - END OF YEAR .....	<u>\$ 4,333,761</u>	<u>\$ 1,248,675</u>	<u>\$ -</u>	<u>\$ 5,582,436</u>

## STATEMENT OF CASH FLOWS, YEAR ENDED JUNE 30, 2010

## CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets.....	\$ 1,847,947
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation .....	460,245
Unrealized Gain on Investments .....	(390,433)
Realized Gain on Investments.....	(91,113)
(Increase) Decrease in Assets:	
Accounts Receivable .....	(312,492)
Contributions Receivable .....	237,388
Inventory.....	(46,457)
Prepaid Expenses .....	236,628
Deposits and Other Assets.....	(235,210)
Increase (Decrease) in Liabilities:	
Accounts Payable.....	(393,131)
Accrued Expenses .....	(689,740)
Deferred Revenue.....	(70,735)
Accrued Retirement Benefits.....	(260,315)
Net Cash Provided by Operating Activities.....	292,582

## CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Board-Designated Investments.....	(1,861,388)
Sales of Board-Designated Investments.....	1,590,222
Sales of Short-term Investments .....	500,000
Purchases of Property and Equipment .....	(701,096)
Net Cash Used in Investing Activities .....	(472,262)

## CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Notes Payable.....	(77,752)
Payments on Royalty Advance.....	(431,753)
Net Cash Used in Financing Activities.....	(509,505)

NET DECREASE IN CASH AND CASH EQUIVALENTS ..... (689,185)

Cash and Cash Equivalents - Beginning of Year ..... 2,996,610

CASH AND CASH EQUIVALENTS - END OF YEAR..... \$ 2,307,425

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year for Interest..... \$ 117,796

See accompanying Notes to Financial Statements.

# Notes to Financial Statements

## June 30, 2010



### NOTE 1

#### SIGNIFICANT ACCOUNTING POLICIES

##### **Organization**

The National Association of Secondary School Principals (the Association) is an organization committed to improving secondary education. In pursuing this commitment, the Association provides information and leadership, encourages research and service, promotes high professional standards, and focuses attention on national educational problems, and works with other professional organizations interested in the solutions to problems of education at the national level for the welfare of secondary schools and the youths they serve.

##### **Tax Exempt Status**

The Association is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined that the Association is not a private foundation. However, the Association is required to report unrelated business income to the Internal Revenue Service and the Commonwealth of Virginia, as well as pay certain other taxes to local jurisdictions. There is no unrelated business income tax liability for the year ended June 30, 2010.

The Association has adopted the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The adoption of this standard had no impact on the Association's financial statements. The Association files as a tax-exempt organization. Should that status be challenged in the future, the Association's 2007, 2008 and 2009 tax years are open for examination by the IRS.

##### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

##### **Financial Instruments**

Financial instruments which potentially subject the Association to concentration of credit risk consist principally of demand deposits, short-term investments, accounts receivable, and Board-designated investments. The Association places its short-term investments with creditworthy financial institutions. Credit risk with respect to trade and other receivables is limited because the Association deals with a large number of customers in a wide geographic area.

##### **Cash and Cash Equivalents**

For the purpose of reporting cash flow, the Association considers demand deposits, certificates of deposit, and savings deposits with an original maturity of three months or less to be cash equivalents.

##### **Short-Term Investments**

Short-term investments consist of an interest-bearing money market fund, not subject to value fluctuation.

##### **Fair Values**

***Fair Value Measurements***—The Association accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The Association accounts for certain financial assets and liabilities at fair value under various accounting literature. The Association also accounts for certain assets at fair value under applicable industry guidance.

***Fair Value Hierarchy***—The Association has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

## NOTE 1

## SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1*—Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Association has the ability to access. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange.

*Level 2*—Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

*Level 3*—Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

**Inventory**

Inventory, consisting primarily of publications and insignia items, is stated at the lower of cost or market using the average cost method of valuation.

**Accounts Receivable**

Accounts receivable represent amounts due for general trade receivables, grant and contracts from private sources and membership dues in transit. The contracts and grants are earned and reported as revenues when the Association has incurred expenditures in compliance with grantor restrictions. Accounts past due are individually analyzed for collectibility. The Association provides for bad debts using the allowance method, which is based on management judgment considering historical information. When all collection efforts have been exhausted, the account is written off against the allowance for bad debts.

**Property and Equipment**

Property and equipment are stated at cost and are depreciated over their estimated useful lives ranging between three and fifty years. The straight-line method of depreciation is followed for all assets. The Association capitalizes all purchases above \$1,500. Expenditures for repairs and maintenance are charged to expense as incurred.

**Board-Designated Investments**

Board-designated investments are carried at fair value and consist of cash, mutual funds and equities.

**Net Assets**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted—Resources over which the Board of Directors has discretionary control. Designated amounts represent those resources which the board of directors has set aside for a particular purpose.

Temporarily Restricted—Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Association or passage of time.

Permanently Restricted—Those resources for which use has been permanently restricted by the donor.

**Revenue Recognition**

Revenue is recognized by the Association during the period in which it is earned. Revenue received in advance and not yet earned is deferred to the applicable period.

**Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Association programs and initiatives included in the functional expenses reported include the following:

Student Services—The Association sponsors leadership and recognition programs for high school and middle level school students. The Association's major student programs are the National Honor Society, National Junior Honor Society and National Association of Student Councils, which sponsors training programs, meetings, publications, scholarships and national committees.

Joint Programs—Association activities jointly serviced and/or administered with other organizations and/or with outside funding.

Professional Development—Activities aimed at aiding members in their professional growth and enrichment; including publications, research activities, conventions, field service programs, national task forces and committees.

Special Services—Activities promoting school improvement and improving student achievement. The Association sponsors conferences, publications, and training programs to promote and advance the secondary school principalship, secondary school reform, and student achievement.

Professional Status—The Association sponsors insurance programs to support members in maintaining their professional position and in defending themselves from claims arising out of their position in the secondary school principalship.

NOTE 1  
SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Subsequent Events**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 30, 2010, the date the financial statements were available to be issued.

NOTE 2  
ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

Trade, Net of Allowance for	
Doubtful Accounts of \$52, 687.....	\$835,872
Grant and Contract Receivables.....	18,910
Membership Dues in Transit .....	261,061
Other .....	<u>219,949</u>
Total.....	<u>\$1,335,792</u>

NOTE 3  
PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land and Improvements .....	\$322,741
Building and Improvements .....	5,117,845
Furniture and Equipment.....	1,370,546
Computer Equipment and Software .....	<u>3,782,693</u>
Total .....	10,593,825
Less: Accumulated Depreciation .....	<u>6,485,155</u>
Total.....	<u>\$4,108,670</u>

NOTE 5  
FAIR VALUE HIERARCHY

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information

NOTE 4  
BOARD-DESIGNATED INVESTMENTS

Board-designated investments are those funds the Board has set aside for use during periods of economic downturn or unexpected events to pay current obligations, to maintain the financial stability of the Association, and to retire a significant portion of the mortgage due in 2013.

Board-designated investments are stated at fair value and consist of:

Cash.....	\$46,873
Mutual Funds - Fixed Income .....	3,112,969
Mutual Funds - Equity.....	844,856
Equities .....	<u>1,789,854</u>
Total.....	<u>\$5,794,552</u>

Investment income for short term and board-designated investments for the year consists of:

Interest and Dividends.....	\$176,662
Realized Gains .....	91,113
Unrealized Gains on Marketable Securities.....	<u>390,433</u>
Total.....	<u>\$658,208</u>

on how the Association measures fair value refer to Note 1—Significant Accounting Policies.

The following table presents the Association's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2010:

Description	Quoted Price in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
<b>Board Designated Investments</b>				
Mutual Funds-Equity	\$ 844,856	\$ -	\$ -	\$ 844,856
Mutual Funds-Fixed Income	3,112,969	-	-	3,112,969
Equities	1,789,854	-	-	1,789,854
<b>Total</b>	<b>\$ 5,747,679</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,747,679</b>

Description	Level 1	Level 2	Level 3	Total
<b>Defined Benefit Plan Assets</b>				
Mutual Funds-Equity	\$ 3,273,563	\$ -	\$ -	\$ 3,273,563
Mutual Funds-Fixed Income	10,406,409	-	-	10,406,409
<b>Total</b>	<b>\$ 13,679,972</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,679,972</b>

Description	Level 1	Level 2	Level 3	Total
<b>Supplemental Executive Retirement Plan</b>				
Mutual Funds-Equity	\$ 195,792	\$ -	\$ -	\$ 195,792
Mutual Funds-Fixed Income	55,858	-	-	55,858
<b>Total</b>	<b>\$ 251,650</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 251,650</b>

NOTE 6  
NOTES PAYABLE AND LINE OF CREDIT

On October 2, 2008, the Association paid off and closed loan facilities with original maturities totaling \$3,000,000 and a \$1,000,000 credit line. Contemporaneously with the payoff, the Association received two loan facilities totaling \$3,400,000.

Facility one is a \$1,000,000 revolving line of credit. Interest accrues on the outstanding principal balance at the BBA LIBOR rate for one month US dollar deposits plus 1.5 percentage points. The line is renewable annually on November 30th. The line requires monthly interest payments. Principal may be repaid and reborrowed any time during the term. There were no amounts outstanding on the line of credit at June 30, 2010.

Facility two is a \$2,400,000 term loan. Interest accrues on the outstanding principal balance at 4.48 percent per year. The loan requires payments of principal and interest based on a twenty-year amortization period. The loan matures October 2, 2013.

The credit facilities contain certain financial covenants and are secured by a deed of trust, assignment of leases and rents, and security agreement on the Association's building.

Future maturities of the loans are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$81,360
2012.....	84,849
2013.....	89,053
2014.....	<u>2,016,678</u>
Total.....	<u>\$2,271,940</u>

Interest expense totaled \$108,950 on the notes payable for the year ended June 30, 2010.

NOTE 7  
ROYALTY ADVANCE

The Association has a licensing agreement with Minnesota Mutual Life Insurance Company whereby the Association receives royalty payments. The agreement provides for royalty advances to the Association. On August 1, 2008, the Association received a \$1,000,000 advance against future royalty payments. The advance will be repaid by applying annual royalty receipts to reduce the balance of the royalty advance as of the policy anniversary date, along with sufficient additional cash payments from the Association to ensure that the royalty advance is completely repaid by June 1, 2011. Interest accrues on the outstanding balance of the advance at the Wall Street Journal LIBOR rate three-month US dollar contracts plus 1 percent.

Interest expense totaled \$8,392 on the advance for the year ended June 30, 2010.

NOTE 8  
LEASES

In March 2008, the Association entered into a 48-month operating lease for six copiers, which expires in April 2012. Copier expense, which includes rent, paper, supplies and maintenance, was \$62,620 for the year ended June 30, 2010.

Future minimum lease payments as of June 30, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011.....	\$42,000
2012.....	<u>31,500</u>
Total.....	<u>\$73,500</u>

NOTE 9  
TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010, consist of the unexpended portion of temporarily restricted contributions received by the Association. These contributions are restricted for the following programs:

Assistant Principal of the Year .....	\$182,179
Assistant Principal of the Year - Travel Fund.....	24,092
Principal of the Year.....	246,260
Principal of the Year Relief Fund.....	16,193
Raising Student Voice and Participation .....	3,615
Break Through Schools.....	710,489
NHS Scholarship Fund .....	25,366
EdWeb Project .....	<u>40,481</u>
Total.....	<u>\$1,248,675</u>

NOTE 10  
PERMANENTLY RESTRICTED NET ASSETS

In 2010, the Association received direction from the donor to remove the restrictions and repurpose the use of the permanently restricted net assets that consisted of assets of the Forrest E. Long Memorial Fund, whose use by the Association was limited by donor-imposed restrictions that neither expired by the passage of time nor could be fulfilled or otherwise removed by actions of the Association.

These funds are now temporarily restricted for use in the Association's EdWeb Project to build on-line communities of principals and have been characterized as appropriations in the following endowment footnote.

NOTE 11  
ENDOWMENT

The Association has donor-restricted endowment funds. As required by GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Association have interpreted Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NOTE 11  
ENDOWMENT (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. The Association considered all amounts earned on the endowment fund to be appropriated for current use.

The Association's endowment investment policy is focused on preservation of capital and amounts are invested in certificates of deposit and money market funds.

The following is a summary of endowment funds subject to UPMIFA for the year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets				
July 1, 2009	\$ -	\$ -	\$ 39,481	\$ 39,481
Contributions	-	-	-	-
Investment Income	-	40	-	40
Appropriations	-	(40)	(39,481)	(39,521)
Endowment Net Assets				
June 30, 2010	\$ -	\$ -	\$ -	\$ -

NOTE 12  
COST OF SALES

Program services expenses include the cost of sales of publications and other items includable as inventory, amounting to \$2,108,241 for the year ended June 30, 2010.

NOTE 13  
COMMITMENTS AND CONTINGENCIES

The Association has entered into several agreements with hotels for room and conference accommodations for its meetings through 2017. These agreements indicate the Association is liable for liquidated damages in the event of cancellation. At June 30, 2010 the Association commitments for possible liquidated damages totaled approximately \$3,262,000. Currently, the Association has no plans to cancel conventions or meetings that would occur in the future and result in liquidated damages.

NOTE 14  
RETIREMENT BENEFITS

On July 1, 1998, the Association established a 403(b) plan (salary reduction and match) for the purpose of providing matching contributions to its employees who participate in a Section 403(b) annuity program. Employees are eligible to participate after meeting certain service and age requirements. The Association matches 50 percent of employee contributions not to exceed 6 percent of compensation. Contributions totaled \$187,239 for 2010.

On July 1, 1998, the Association established a defined contribution plan under Section 401 of the Internal Revenue Code. Employees are eligible to participate after meeting certain service and age requirements. The amount of the contribution is determined each year by the Association, and for 2010, the Association determined that no contribution would be made. Employees are neither required nor permitted to contribute to the Plan.

On February 23, 1999, the Association established a Supplemental Executive Retirement Plan to provide certain retirement benefits and death benefits for Association executives under Section 401 of the Internal Revenue Code. Employees are eligible to participate after meeting certain service and age requirements. The amount of the contribution is determined each year by the Association. Employees are neither required nor permitted to contribute to the Plan. The contribution for 2010 was determined to be \$28,107.

On May 8, 1999, the Company established a grantor trust (commonly known as a "Rabbi Trust") and on May, 5, 2000, appointed John N. Dripps as trustee. The purpose of the Rabbi Trust is to serve as a vehicle for accumulating the assets needed to pay certain Supplemental Executive Retirement Plan benefits. The Association's Supplemental Executive Retirement Plan expressly authorizes the use of a Rabbi Trust for this purpose. Assets held in the trust are recorded as other assets on the statement of financial position, measured at fair value, and are subject to claims by creditors of the Association in the event of insolvency. A corresponding liability has been booked and is aggregated with the long-term portion of retirement benefits on the statement of financial position. The trustee will make payments to plan participants in accordance with the Association's instructions and the provisions of the Supplemental Executive Retirement Plan and Trust Agreement. The Association will reimburse the trustee for his expenses incurred in connection with his administration of the trust.

## NOTE 14

## RETIREMENT BENEFITS (Continued)

Prior to June 30, 1998, the Association maintained a defined benefit pension plan (the Plan) for eligible employees. As of June 30, 1998, the Association froze the Plan. The frozen Plan continues to provide benefits to retirees and other eligible former and current employees. The benefits were based on years of service and the employee's average compensation over the highest three consecutive years of service. Benefits earned by active employees as of June 30, 1998, have not been reduced, and will be payable in accordance with the terms of the Plan as of June 30, 1998. Active employees who were not vested in their Plan benefits continue to be credited with service, so that the benefits they have accrued under the Plan might ultimately become vested.

The Plan's investment strategy is to control risk and promote returns through a diversified investment portfolio of equities and fixed income investments while focusing on preserving plan assets to safeguard the benefits provided to participants and their beneficiaries during their retirement or at other times as specified by the Plan. The investment allocation is expected to remain stable over time, but may change at the Trustees' direction as investment objectives or circumstances change. Currently, the Trustees have determined the asset allocation to be 25% equities and 75% fixed income.

The measurement date used for Plan disclosures is as of June 30, 2010 and for the year then ended.

The changes in projected benefit obligation are as follows:

**Change in Benefit Obligation**

Projected Benefit Obligation at Beginning of the Year.....	\$14,104,191
Service Cost .....	-
Interest Cost.....	824,555
Benefits Paid .....	(986,463)
Actuarial (Gain) Loss .....	942,334
Projected Benefit Obligation at End of Year.....	<u>\$14,884,617</u>

**Change in Plan Assets**

Fair Value of Plan Assets at Beginning of the Year.....	\$12,157,078
Actual Return on Plan Assets.....	1,909,357
Employer Contributions .....	600,000
Benefits Paid .....	(986,463)
Fair Value of Plan Assets at End of Year.....	<u>\$13,679,972</u>

**Funded Status of the Plan**

Benefit Obligation.....	\$14,884,617
Fair Value of Plan Assets.....	<u>13,679,972</u>
Excess of Benefit Obligation over Fair Value of Plan Assets .....	<u>\$ 1,204,645</u>

**Components of Net Periodic Benefit Costs**

Interest Costs.....	\$ 824,555
Expected Return on Plan Assets .....	(701,900)
Amortization of Prior Service Costs .....	-
Amortization of Net Actuarial Loss.....	<u>651,603</u>
Net Periodic Benefit Cost.....	<u>\$774,258</u>

**Underfunded Plan Information**

Projected Benefit Obligation at End of Year .....	\$14,884,617
Accumulated Benefit Obligation at End of Year....	14,884,617
Fair Value of Assets at End of Year.....	13,679,972

**Unamortized Net Loss** ..... \$7,009,728

**Pension-related Changes Other Than Net Periodic Pension Costs Recognized Outside of Operating Activities**

Net Loss (Gain) .....	<u>\$(265,123)</u>
Amortization of Net (Loss) Gain .....	<u>(651,603)</u>
Amount Recognized in Other Comprehensive Loss (Income).....	<u>\$ (916,726)</u>

**Actuarial Assumptions**

Assumptions used to Determine Benefit Obligations at June 30, 2010:

Discount Rate .....	4.99%
Salary Increase Rate .....	0.00%

Assumptions used to Determine Benefit Obligations at July 1, 2009:

Discount Rate .....	6.12%
Expected Return on Plan Assets .....	6.00%
Salary Increase Rate .....	0.00%

Estimated future benefit payments over the next ten years, which reflect expected future services, are expected to be paid as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2011 .....	\$1,035,295
2012 .....	1,073,109
2013 .....	1,096,455
2014 .....	1,093,656
2015 .....	1,087,546
2016-2020 .....	<u>5,391,000</u>
Total .....	<u>\$10,777,061</u>

Weighted-Average Asset Allocations, by Category:

Debt Securities.....	76.00%
Equity Securities.....	<u>24.00%</u>
Total.....	<u>100.00%</u>

The Association expects to contribute at least the minimum funding requirement to this Plan in the fiscal year ending June 30, 2011. In addition, it may contribute additional deductible amounts not yet determined.

## NOTE 15

## POST RETIREMENT HEALTH INSURANCE BENEFITS

The Association provides health insurance benefits for certain retired employees. Benefits provided under the plan are available to eligible retirees and other eligible former and current employees. As of March 30, 2003, the Association froze the plan, limiting the maximum reimbursement. The Association funds amounts necessary to pay annual health insurance premiums for current retirees only. In 2010, the Association funded \$88,708.

The measurement date used for plan disclosures is as of June 30, 2010 and for the year then ended.

NOTE 15

Postretirement Health Insurance Benefits (Continued)

The changes in projected benefit obligation are as follows:

**Change in Benefit Obligation**

Projected Benefit Obligation at Beginning of the Year .....	\$ 851,546
Service Cost .....	9,032
Interest Cost .....	50,398
Benefits Paid .....	(88,708)
Actuarial (Gain) Loss .....	<u>259,782</u>
Projected Benefit Obligation at End of Year .....	<u>\$ 1,082,050</u>

**Change in Plan Assets**

Fair Value of Plan Assets at Beginning of the Year .....	-
Actual Return on Plan Assets .....	-
Employer Contributions .....	88,708
Benefits Paid .....	<u>(88,708)</u>
Fair Value of Plan Assets at End of Year .....	<u>\$ -</u>

**Funded Status of the Plan**

Benefit Obligation .....	\$ 1,082,050
Fair Value of Plan Assets .....	-
Excess of Benefit Obligation over Fair Value of Plan Assets .....	<u>\$ 1,082,050</u>

**Components of Net Periodic Benefit Costs**

Service Costs .....	\$ 9,032
Interest Costs .....	50,398
Expected Return on Plan Assets .....	-
Amortization of Prior Service Costs .....	57,181
Amortization of Net Actuarial Loss .....	<u>(22,755)</u>
Net Periodic Benefit Cost .....	<u>\$ 93,856</u>

**Underfunded Plan Information**

Projected Benefit Obligation at End of Year .....	\$ 1,082,050
Accumulated Benefit Obligation at End of Year .....	1,082,050
Fair Value of Assets at End of Year .....	-

**Pension-related Changes Other Than Net Periodic Pension Costs Recognized Outside of Operating Activities**

Net Loss (Gain) .....	\$ 259,782
Amortization of Net Transition (Obligation) Asset .....	(57,181)
Amortization of Prior Service Costs .....	<u>22,751</u>
Amount Recognized in Other Comprehensive (Income) Loss .....	<u>\$ 225,352</u>

**Actuarial Assumptions**

Assumptions used to Determine Benefit Obligations at June 30, 2010:

Discount Rate .....	4.85%
Salary Increase Rate .....	0.00%

Assumptions used to Determine Benefit Obligations at July 1, 2009:

Discount Rate .....	6.25%
Expected Return on Plan Assets .....	None Assumed
Salary Increase Rate .....	None Assumed

Estimated future benefit payments over the next ten years, which reflect expected future services, are expected to be paid as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011 .....	\$ 88,708
2012 .....	92,881
2013 .....	91,119
2014 .....	86,841
2015 .....	88,721
2016–2020 .....	<u>397,964</u>
Total .....	<u>\$ 846,234</u>
Discount Rate .....	4.85%
Rate of Increase in Future Compensation Levels .....	None Assumed

The impact of a 1.0% decrease in the assumed health care cost trend would be (\$506) on the total service and interest cost and (\$36,852) upon the postretirement benefit obligation.

The impact of a 1.0% increase in the assumed health care cost trend would be \$462 on the total of service cost and interest cost components and \$39,081 upon the postretirement benefit obligation for the year ended June 30, 2010.



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