National Association of Secondary School Principals

2011 Annual Report
A Message to Our Members

It is our pleasure to provide the members of the National Association of Secondary School Principals the annual report for the year ending June 30, 2011. In this report, you will see that your organization maintains its tradition of financial stewardship and continues to build a solid financial foundation to support the mission and programs of NASSP.

Following longstanding practice, the Audit Committee of the NASSP Board of Directors oversaw the audit process and received the audit report directly from the audit firm Larson Allen LLC. 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.

The end of fiscal year 2011 began a change in the leadership of NASSP. After a 12-year distinguished and energetic career with NASSP, Gerald N. Tirozzi retired. His stature as a national voice and his leadership for the association will be missed. But change also brings opportunity. Although the enormous issues facing principals and other school leaders remain, optimism abounds that NASSP and its members can and will make a difference in schools. NASSP is taking the lead in addressing these issues through federal advocacy, dissemination of best practices, and opportunities for members to connect and collaborate.

NASSP operations again returned a reasonable operating profit. Our long-term reserves returned strong results, further lifting net assets. In addition, our defined benefit plan, which has long been a financial drag on results, again saw gains as a result of the prudent investment choices made over the past several years.

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

Sincerely,

Ken Griffith  
President, 2011–12

JoAnn D. Bartoletti  
Executive Director
Board of Directors

President
Ken Griffith, Assistant Principal
Guerney-Sunrise Jr./Sr. High School
Guerney, WY

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

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

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

David S. Ellena, Principal
Tomahawk Creek Middle School
Midlothian, VA

Jayne Ellspermann, Principal
West Port High School
Ocala, FL

Jeffrey Geihs, Principal
Liberty High School
Henderson, NV

Jane Griffin, Principal
Winnfield Senior High School
Winnfield, LA

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

Bonnie Johnson-Aten, Principal
Edmunds Middle School
Burlington, VT

Jerry Keepers, Principal
Jefferson County High School
Louisville, KY

Troy Kilzer, II, Principal
Chester County High School
Henderson, TN

Tracey Lamb, Principal
Fulton County High School
Hickman, KY

Donald Macrino, Principal
Waterford High School
Waterford, CT

Bob Moore, Principal
Manhattan High School
Manhattan, MT

David Morrow, Principal
Bridge Creek Middle School
Blanchard, OK

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

John Osgood, Principal
C.L. Jones Middle School
Mindon, NE

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

Steve Quintus, Principal
Killdeer High School
Killdeer, ND

William J. Scaletta
Stevensville, MI

Mike Scholz, Assistant Principal
St. Thomas More High School
Champaign, IL

Richard Snyder
Honeoye Falls, NY

David L. Thomson, Principal
Raynham Middle School
Raynham, MA

Executive Director
JoAnn D. Bartoletti
Reston, VA
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, 2011, 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, 2011, 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.

Arlington, Virginia
October 5, 2011

LarsonAllen LLP
www.larsonallen.com
# Financial Statements

## Statement of Financial Position, June 30, 2011

### Assets

#### Current Assets
- Cash and Cash Equivalents: $1,942,712
- Short-Term Investments: $2,007,928
- Accounts Receivable, Net: $1,545,160
- Contributions Receivable, Net: $208,937
- Inventory: $793,454
- Prepaid Expenses: $306,511
- Total Current Assets: $6,804,702

#### Noncurrent Assets
- Property and Equipment, Net: $3,644,118
- Board-Designated Investments: $6,876,733
- Deposits and Other Assets: $426,522
- Total Noncurrent Assets: $10,947,373

#### Total Assets
- Total Assets: $17,752,075

### Liabilities and Net Assets

#### Current Liabilities
- Accounts Payable: $1,054,091
- Accrued Expenses: $1,326,012
- Deferred Revenue: $3,300,517
- Current Portion of Retirement Benefits: $90,865
- Current Portion of Notes Payable: $84,849
- Total Current Liabilities: $5,856,334

#### Noncurrent Liabilities
- Long-Term Portion of Retirement Benefits: $1,551,042
- Long-Term Portion of Notes Payable: $2,105,731
- Total Noncurrent Liabilities: $3,656,773
- Total Liabilities: $9,513,107

#### Net Assets
- Unrestricted: $6,962,424
- Temporarily Restricted: $1,276,544
- Total Net Assets: $8,238,968
- Total Liabilities and Net Assets: $17,752,075

See accompanying Notes to Financial Statements.
## Statement of Activities, Year Ended June 30, 2011

### Support and Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership Dues</td>
<td>$8,321,675</td>
<td>$ –</td>
<td>$8,321,675</td>
</tr>
<tr>
<td>Sales and Handling Charges</td>
<td>$7,523,799</td>
<td>$ –</td>
<td>$7,523,799</td>
</tr>
<tr>
<td>Grants, Contracts, and Contributions</td>
<td>$2,046,698</td>
<td>$986,309</td>
<td>$2,943,007</td>
</tr>
<tr>
<td>Conferences and Meetings</td>
<td>$1,605,851</td>
<td>$ –</td>
<td>$1,605,851</td>
</tr>
<tr>
<td>Assessment Center Fees</td>
<td>$127,370</td>
<td>$ –</td>
<td>$127,370</td>
</tr>
<tr>
<td>Advertising</td>
<td>$451,461</td>
<td>$ –</td>
<td>$451,461</td>
</tr>
<tr>
<td>Royalties</td>
<td>$734,083</td>
<td>$ –</td>
<td>$734,083</td>
</tr>
<tr>
<td>Other Income</td>
<td>$1,018,760</td>
<td>$ –</td>
<td>$1,018,760</td>
</tr>
<tr>
<td>Net Assets Released from Restrictions</td>
<td>$868,440</td>
<td>$(868,440)</td>
<td>$ –</td>
</tr>
<tr>
<td><strong>Total Support and Revenue</strong></td>
<td>$22,698,137</td>
<td>$27,869</td>
<td>$22,726,006</td>
</tr>
</tbody>
</table>

### Expense

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Services</td>
<td>$8,048,917</td>
<td>$ –</td>
<td>$8,048,917</td>
</tr>
<tr>
<td>Joint Programs</td>
<td>$1,967,940</td>
<td>$ –</td>
<td>$1,967,940</td>
</tr>
<tr>
<td>Professional Development</td>
<td>$2,250,911</td>
<td>$ –</td>
<td>$2,250,911</td>
</tr>
<tr>
<td>Special Services</td>
<td>$3,528,404</td>
<td>$ –</td>
<td>$3,528,404</td>
</tr>
<tr>
<td>Professional Status</td>
<td>$435,013</td>
<td>$ –</td>
<td>$435,013</td>
</tr>
<tr>
<td><strong>Total Program Services</strong></td>
<td>$16,231,185</td>
<td>$ –</td>
<td>$16,231,185</td>
</tr>
<tr>
<td>Association Management</td>
<td>$2,429,449</td>
<td>$ –</td>
<td>$2,429,449</td>
</tr>
<tr>
<td>Membership Development</td>
<td>$3,312,671</td>
<td>$ –</td>
<td>$3,312,671</td>
</tr>
<tr>
<td><strong>Total Supporting Services</strong></td>
<td>$5,742,120</td>
<td>$ –</td>
<td>$5,742,120</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td>$21,973,305</td>
<td>$ –</td>
<td>$21,973,305</td>
</tr>
</tbody>
</table>

### Change in Net Assets from Operating Activities

| Description                          | $724,832     | $27,869                | $752,701    |

### Other Income and Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>$951,550</th>
<th>$ –</th>
<th>$951,550</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension-related Changes Other Than</td>
<td>$952,281</td>
<td>$ –</td>
<td>$952,281</td>
</tr>
<tr>
<td>Net Periodic Pension Costs</td>
<td>$2,628,663</td>
<td>$27,869</td>
<td>$2,656,532</td>
</tr>
<tr>
<td>Net Assets - Beginning of Year</td>
<td>$4,333,761</td>
<td>$1,248,675</td>
<td>$5,582,436</td>
</tr>
<tr>
<td><strong>Net Assets - End of Year</strong></td>
<td>$6,962,424</td>
<td>$1,276,544</td>
<td>$8,238,968</td>
</tr>
</tbody>
</table>
CASH FLOWS FROM OPERATING ACTIVITIES
Change in Net Assets.............................................................................................................................................. $ 2,656,532
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:
Depreciation............................................................................................................................................................ 526,925
Loss on Sale of Property and Equipment ...................................................................................................... 3,375
Unrealized Gain on Investments .......................................................................................................................... (564,225)
Realized Gain on Investments ............................................................................................................................ (185,214)
(Increase) Decrease in Assets:
Accounts Receivable ...........................................................................................................................................(209,368)
Inventory .......................................................................................................................................................... 55,639
Prepaid Expenses ............................................................................................................................................ 3,497
Deposits and Other Assets ................................................................................................................................. (51,489)
Increase (Decrease) in Liabilities:
Accounts Payable ................................................................................................................................................(17,751)
Accrued Expenses ............................................................................................................................................(329,359)
Deferred Revenue .............................................................................................................................................. (712,566)
Accrued Retirement Benefits ............................................................................................................................ (896,438)
Net Cash Provided by Operating Activities..................................................................................................... 279,558
CASH FLOWS FROM INVESTING ACTIVITIES
Purchases of Board-Designated Investments .................................................................................................. (2,593,342)
Sales of Board-Designated Investments ......................................................................................................... 2,260,599
Purchase of Short-Term Investments ............................................................................................................. (1,908)
Purchases of Property and Equipment ............................................................................................................. (65,748)
Net Cash Used in Investing Activities......................................................................................................... (400,399)
CASH FLOWS FROM FINANCING ACTIVITIES
Payments on Notes Payable .............................................................................................................................. (81,360)
Payments on Royalty Advance ......................................................................................................................... (162,512)
Net Cash Used in Financing Activities .......................................................................................................... (243,872)
NET DECREASE IN CASH AND CASH EQUIVALENTS .................................................................................. (364,713)
Cash and Cash Equivalents - Beginning of Year ............................................................................................. 2,307,425
CASH AND CASH EQUIVALENTS - END OF YEAR.................................................................................... $ 1,942,712
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Cash Paid During the Year for Interest ............................................................................................................. $ 108,884

See accompanying Notes to Financial Statements.
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, 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, 2011.

The Association has adopted the guidance in the income tax standards 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 2008, 2009 and 2010 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)

The methods of accounting employed by the Association are those generally accepted in the United States. Financial information is presented in conformity with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 the reported amounts of revenues and expenses during the reporting period. 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.

Contributions Receivable

Contributions receivable represent amounts due for pledges of support from private sources. The pledges are in support of Association programs. Pledges are generally memorialized in written form and are earned and reported as revenues in accordance with the pledge document. 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. The Association has no permanently restricted net assets as this time.

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.
NOTE 1
SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Subsequent Events
In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 5, 2011, 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 $59,581 ................. $739,616
Grant and Contract Receivables ............................................. 41,849
Membership Dues in Transit ................................................... 295,080
Other ............................................................................. 468,615
Total ........................................................................... $1,545,160

NOTE 3
PROPERTY AND EQUIPMENT

Property and equipment consists of the following:
Land and Improvements.................................................. $322,741
Building and Improvements.......................................... 5,128,935
Furniture and Equipment ............................................. 1,372,200
Computer Equipment and Software ......................... 3,465,153
Total ............................................................................ 10,289,029
Less: Accumulated Depreciation ................................. 6,644,911
Total ........................................................................... $3,644,118

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 .................................................................................. $61,635
Mutual Funds - Fixed Income ................................. 3,088,265
Mutual Funds - Equity .............................................. 1,164,038
Equities ........................................................................ 2,562,795
Total ............................................................... $6,876,733

Investment income for short term and board-designated investments for the year consists of:
Interest and Dividends .............................................. $202,111
Realized Gains ................................................................. 185,214
Unrealized Gains on Marketable Securities .......... 564,225
Total ............................................................... $951,550
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, 2011.

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:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$84,849</td>
</tr>
<tr>
<td>2013</td>
<td>89,053</td>
</tr>
<tr>
<td>2014</td>
<td>2,016,678</td>
</tr>
<tr>
<td>Total</td>
<td>2,190,580</td>
</tr>
</tbody>
</table>

Interest expense totaled $106,484 on the notes payable for the year ended June 30, 2011.

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 $2,210 on the advance for the year ended June 30, 2011.
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, 2011.

Future minimum lease payments as of June 30, 2011, are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$31,500</td>
</tr>
<tr>
<td>Total</td>
<td>$31,500</td>
</tr>
</tbody>
</table>

NOTE 9
TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2011, 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 ...................... $188,080
- Assistant Principal of the Year - Travel Fund ........ 23,260
- Principal of the Year .................................. 260,000
- Principal of the Year Relief Fund .................... 6,235
- Raising Student Voice and Participation ............. 3,008
- Break Through Schools ................................ 717,075
- NHS Scholarship Fund ................................. 43,738
- EdWeb Project ........................................ 35,148
- Total .................................................. $1,276,544

NOTE 10
COST OF SALES

Program services expenses include the cost of sales of publications and other items includable as inventory, amounting to $2,287,059 for the year ended June 30, 2011.

NOTE 11
COMMITMENTS AND CONTINGENCIES

Hotel Agreements

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, 2011 the Association commitments for possible liquidated damages totaled approximately $2,580,000. Currently, the Association has no plans to cancel conventions or meetings that would occur in the future and result in liquidated damages.

Employment Agreement

The Association has an employment agreement with its new Executive Director. The terms of the agreement stipulate that, if her employment is terminated during the term of the agreement (3 years) without cause, the Association will continue to pay her base salary through the term of the agreement or 12 months, whichever is greater.

NOTE 12
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 $177,865 for 2011.

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 2011, 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 2011 was determined to be $25,241.

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.

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.
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NOTE 12
REirement BenEFits (Continued)

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, 72% fixed income and 3% real estate.

The measurement date used for Plan disclosures is as of June 30, 2011 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 .............................................. $14,884,617
Service Cost ............................................................... -
Interest Cost .............................................................. 716,117
Actuarial Loss .............................................................. 37,213
Benefits Paid ................................................................. (985,078)
Projected Benefit Obligation at End of Year .................. $14,652,869

**Change in Plan Assets**
Fair Value of Plan Assets at Beginning of the Year ........ $13,679,972
Actual Return on Plan Assets .....................................  1,294,788
Employer Contributions .............................................  600,000
Benefits Paid ................................................................. (985,078)
Fair Value of Plan Assets at End of Year ....................... $14,589,682

**Funded Status of the Plan**
Benefit Obligation ......................................................... $14,652,869
Fair Value of Plan Assets ..............................................  $14,589,682
Excess of Benefit Obligation over Fair Value of Plan Assets ..................................................... $ 63,187

**Components of Net Periodic Benefit Costs**
Interest Costs .............................................................. $ 716,117
Expected Return on Plan Assets ................................ (801,583)
Amortization of Prior Service Costs ............................ -
Amortization of Net Actuarial Loss ......................... 613,474
Net Periodic Benefit Cost ........................................... $528,208

**Underfunded Plan Information**
Projected Benefit Obligation at End of Year ............... $14,652,869
Accumulated Benefit Obligation at End of Year ......... 14,652,869
Fair Value of Assets at End of Year ..........................  14,589,682

**Unamortized Net Loss** ............................................. $5,940,062

**Pension-related Changes Other Than Net Periodic Pension Costs Recognized Outside of Operating Activities**
Net Gain ....................................................................... ($486,192)
Amortization of Net Loss ........................................... (613,474)
Amount Recognized in Other Comprehensive Income ..................................................... ($1,069,666)

**Actuarial Assumptions**
Assumptions used to Determine Benefit Obligations at June 30, 2011:
Discount Rate .............................................................  5.01%
Salary Increase Rate ..................................................  0.00%

Assumptions used to Determine Benefit Obligations at July 1, 2010:
Discount Rate .............................................................  4.99%
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:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$1,055,058</td>
</tr>
<tr>
<td>2013</td>
<td>1,078,959</td>
</tr>
<tr>
<td>2014</td>
<td>1,073,654</td>
</tr>
<tr>
<td>2015</td>
<td>1,068,068</td>
</tr>
<tr>
<td>2016</td>
<td>1,049,415</td>
</tr>
<tr>
<td>2017–2021</td>
<td>5,268,631</td>
</tr>
<tr>
<td>Total</td>
<td>$10,593,785</td>
</tr>
</tbody>
</table>

Weighted-Average Asset Allocations, by Category:
Debt Securities .............................................................  72.00%
Equity Securities ............................................................ 25.00%
Real Estate Securities ....................................................  3.00%
Total ............................................................................. 100.00%

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 13
POST REIriREMENT 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 2011, the Association funded $88,708.

The measurement date used for plan disclosures is as of June 30, 2011 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 ...................... $1,082,050
Service Cost ..................................................................  9,370
Interest Cost ..................................................................  50,328
Actuarial Loss .............................................................. 178,515
Benefits Paid ................................................................. (83,600)
Projected Benefit Obligation at End of Year ......................... $1,236,663
NOTE 13
POSTRETIREMENT HEALTH INSURANCE BENEFITS
(Continued)

Change in Plan Assets

Fair Value of Plan Assets at
Beginning of the Year ............................................. $ -
Actual Return on Plan Assets ........................................ -
Employer Contributions ........................................ 83,600
Benefits Paid ........................................................ (83,600)
Fair Value of Plan Assets at End of Year ................ $ -

Funded Status of the Plan

Benefit Obligation ............................................... $ 1,236,663
Fair Value of Plan Assets .................................................. -
Excess of Benefit Obligation over Fair Value of Plan Assets .................. $ 1,236,663

Components of Net Periodic Benefit Costs

Service Costs ....................................................... $ 9,370
Interest Costs ........................................................ 50,328
Expected Return on Plan Assets .............................................. -
Amortization of Net Transition Obligation ....... 5,181
Amortization of Prior Service Credit ............. (22,755)
Amortization of Net Actuarial Loss ....................... 26,704
Net Periodic Benefit Cost ...................................... $ 120,828

Underfunded Plan Information

Projected Benefit Obligation at End of Year ..... $ 1,236,663
Accumulated Benefit Obligation at End of Year 1,236,663
Fair Value of Assets at End of Year ................. -

Pension-related Changes Other Than Net Periodic Pension Costs

 Recognized Outside of Operating Activities

Net Loss................................................................. $ 178,515
Amortization of Net Transition Obligation .......... (57,181)
Amortization of Prior Service Credit ............. 22,755
Amortization of Net Actuarial Loss ............... (26,704)
Amount Recognized in Other Comprehensive Loss ........................................ $ 117,385

Actuarial Assumptions

Assumptions used to Determine Benefit Obligations at June 30, 2011:

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

Assumptions used to Determine Benefit Obligations at July 1, 2010:

Discount Rate ......................................................... 4.85%
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:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$ 90,865</td>
</tr>
<tr>
<td>2013</td>
<td>90,227</td>
</tr>
<tr>
<td>2014</td>
<td>85,117</td>
</tr>
<tr>
<td>2015</td>
<td>88,238</td>
</tr>
<tr>
<td>2016</td>
<td>409,923</td>
</tr>
<tr>
<td>Total</td>
<td>$ 854,937</td>
</tr>
</tbody>
</table>

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 ($1,793) on the total service and interest cost and ($30,519) upon the postretirement benefit obligation. The impact of a 1.0% increase in the assumed health care cost trend would be $1,904 on the total of service and interest cost components and $30,320 upon the postretirement benefit obligation for the year ended June 30, 2011.