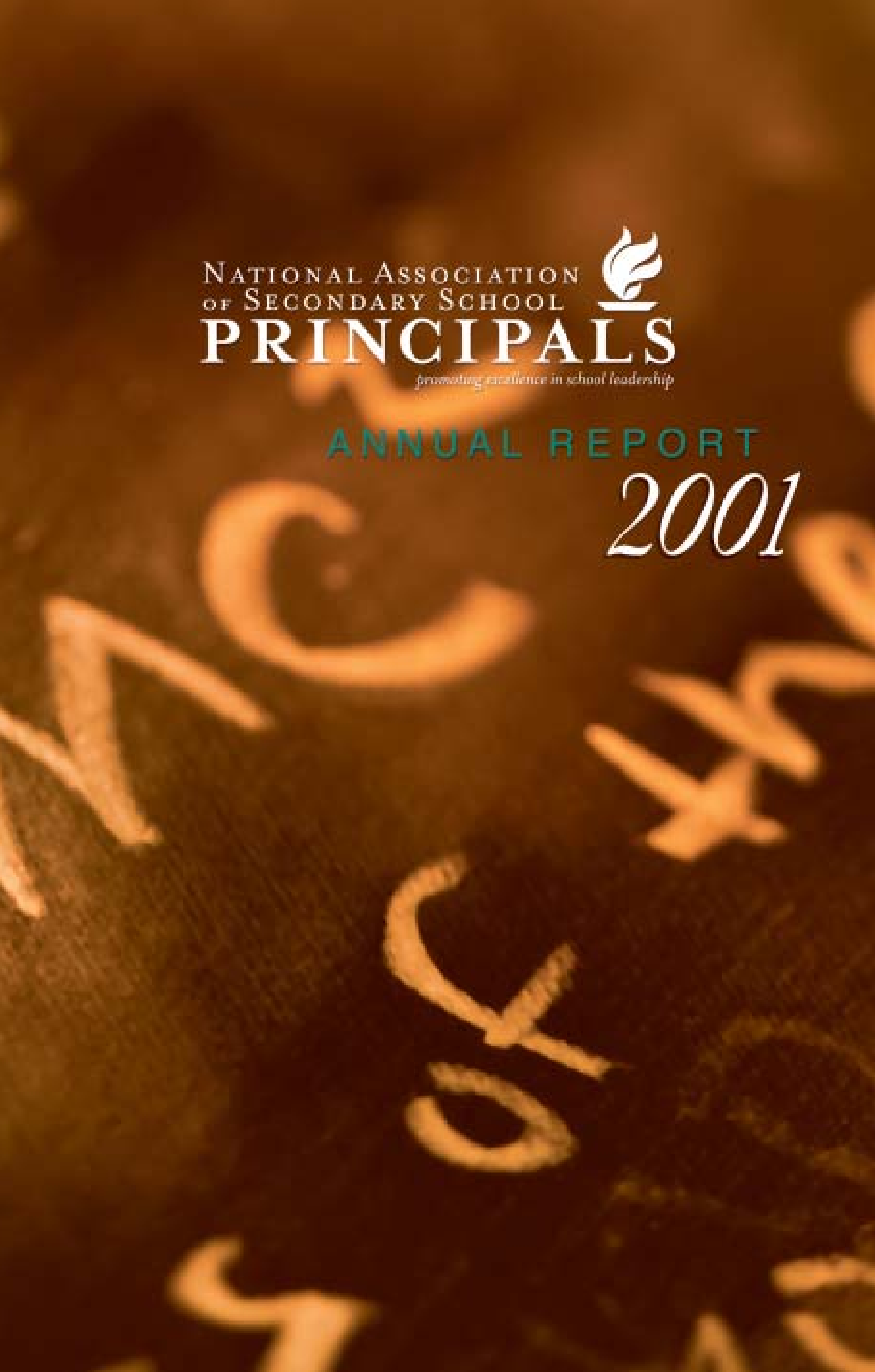


National Association of Secondary School

PRINCIPALS

promoting excellence in school leadership

ANNUAL REPORT 2001

NATIONAL ASSOCIATION OF SECONDARY SCHOOL PRINCIPALS

promoting excellence in school leadership

Message from NASSP Leadership

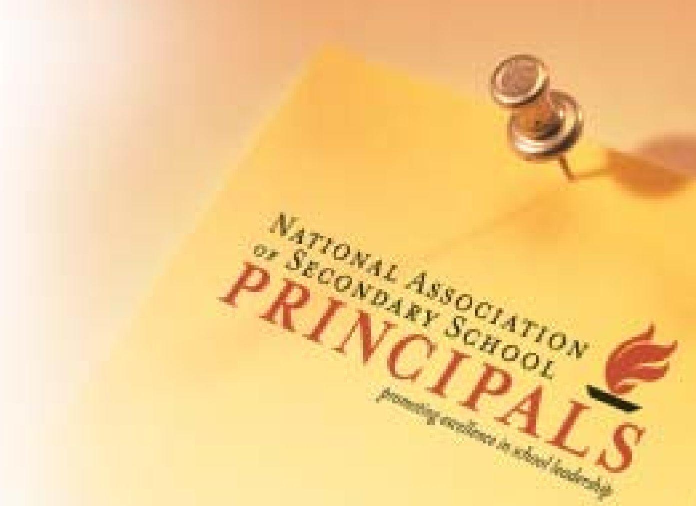
The National Association of Secondary School Principals, the largest education leadership association in the nation, is very pleased to present the 2001 Annual Report. We had a very good year in which NASSP, over 35,000 members strong, proved to be as resourceful, enterprising, and vocal on behalf of its membership as any national education organization. We stand tall and proud of our membership, our mission, our accomplishments, and our unwavering resolve to promote and enhance the secondary school principalship—the hard working, conscientious women and men who serve as principals and assistant principals in our middle level and senior high schools.

NASSP ended the fiscal year 2001 with $595,085, in net assets, which continues the Association's efforts to remain fiscally responsible and profitable. Profits are important to NASSP's future and financial well-being if we are to build upon our financial base and thus continue to provide and build upon current member services. In addition, we now have $1.5 million in long-term reserves—an increase of $1.3 million over the past three years.

NASSP remains financially healthy, focused on our mission, capable of great accomplishments, and energetic because of its members. Through the leadership of the NASSP Board of Directors—all working principals—the Association seeks out every opportunity to better serve our members. The staff works hard to ensure that our members' professional needs are foremost in our daily activities. Through regular contact with the Board, task forces, state affiliates, and members, we remain true to our mission, to promote excellence in school leadership.

By maintaining a secure financial position, we were able to ensure another great year of accomplishments! We fully implemented the redesign and launch of our award-winning middle level and high school magazine, *Principal Leadership*, by combining the resources of two previous publications to deliver every member with an expanded information-packed issue month after month. Our outstanding publications provide more quality information per issue than ever before. The new NASSP website went online, and was consistently improved to provide timely information for members, media, and policymakers. We offered new online professional development courses and made our national voice more personal by implementing the new Principals' Legislative Action Center (PLAC)—an online membership-driven advocacy tool for making the principals' message heard to the White House, U.S. Congress, at the state level, and the media. And our Leadership Development and Assessment division established a number of working agreements with districts and states to use our assessment centers as part of their principal professional development and recruiting programs. With sustaining support from the U.S. Department of Education, we maintain on staff two practitioners in residence, one for safe and orderly schools and one for special education issues, who provide knowledge and experience to the staff and membership alike. And we continue to provide an array of high-quality student services such as the National Honor Society™ and the National Association of Student Councils™.

Advocating on behalf of principals remains the centerpiece of NASSP's work in the nation's capital. Our newly consolidated Public Affairs department, made up of public relations and government relations,



affects public policy by shifting attitudes, shaping public debate, and influences legislation, all the while expanding the influence and support of principals and secondary schools. Our public relations team translates complex education issues into compelling and persuasive arguments that move the media, policymakers, and the public. Our government relations staff monitors education legislation, communicates with congressional and administration offices, including the U.S. Department of Education and the White House, and actively participates in coalition-building activities with other organizations to help advance the "national voice" of the principalship.

In media and legislative efforts, NASSP was highly visible and energetic—effectively promoting school leadership development, greater funding for secondary school reforms, and the need to curtail the principal shortage—during the reauthorization of the Elementary and Secondary Education Act (ESEA). At the same time we actively opposed vouchers and high-stakes testing while fighting for greater financial support for and modification of the Individuals with Disabilities Education Act (IDEA) regulations. We published reports on testing and assessment and on the priorities and barriers in school leadership. We have appeared on C-Span, CNN *Crossfire*, *The Newshour with Jim Lehrer*, in the *Philadelphia Inquirer*, the *Los Angeles Times*, *Education Week*, the *Dallas Morning News*, the *Arizona Republic*, and in many other media outlets. The Association is very assertive in projecting the concerns of middle level and high school principals and effective in making the principals' voice heard.

With the passage of the new ESEA, and the federal mandates for assessment and accountability that it brings to the school building, the principalship will be placed squarely under the microscope. We must face this challenge and turn it to our advantage! To benefit from the nation's renewed focus on education, we must turn local, state, and national policymakers' attention to school leadership issues. NASSP is poised to leverage this rare opportunity at the national level. But to do so, we need each of you, our members, to play an active part in providing a voice for school leaders and ultimately fulfilling our mission. Working together—the NASSP Board of Directors and staff, our state affiliates, and members—we can accomplish our goals in promoting school leadership and advancing the principalship.

Thank you for another outstanding year and we look forward to working closely with you as school leaders in preparing for the important times which lie ahead.

Yours,

William J. Grobe
President
NASSP Board of Directors

Gerald N. Tirozzi
Executive Director
NASSP

FY 2001: Highlights of the Year

NATIONAL VOICE

Our presence on the national stage, both in the media and in government policy circles, has grown significantly during the past year. With a clear focus, to promote excellence in school leadership, our staff:

- Met regularly with members of Congress and their staffs, the administration, and other education-related organizations to encourage and advance the position of school leaders and secondary schools, particularly during the reauthorization of ESEA.

- Worked closely with NAESP to secure the explicit inclusion of the word *principal* in ESEA. This was a significant change by Congress in recognizing the important and unique role the principal plays in improving schoolwide academic achievement.

- Ensured that federal funds were made available to be used at the state and local level for a variety of purposes including: providing professional development for teachers and principals; developing mechanisms to help schools and school districts recruit and retain teachers and principals; reforming teacher and principal certification sure requirements; and integrating technology training into curricula and instruction.

- Secured language in the bill that authorizes the U.S. Department of Education to fund several national activities, including a school leadership initiative focusing on principal recruitment for school districts with high need

- Influenced Congress to include bill language designed to protect educators from legal liability when they are undertaking reasonable actions to maintain discipline in the classroom.

- Implemented the Principals' Legislative Action Center (PLAC)—an online grassroots advocacy center designed to provide the individual principal with a means through which to contact his or her elected officials or local media on issues of importance to the principalship and secondary schools

- Ensured that the national voice for school leaders was heard by the mass media through opinion editorials, advertising, media interviews, editorial board meetings, press conferences, and timely news releases, the executive director, NASSP Board, and the Association leadership.

- Maintained regular contact with such media outlets as ABC News and ABC News.com, National Public Radio, MSNBC, CNN, Fox News.com, C-Span, ESPN, *the Associated Press*, the *New York Times*, *USA Today*, the *Washington Post*, *Education Week*, the *Los Angeles Times*, the *Dallas Morning News*, the *Philadelphia Inquirer*, the *Ft. Lauderdale Sun-Sentinel*, the *Des Moines Register*, *Education Daily*, and many other media outlets.

School Leadership Development

Successful schools require leaders who are able to perform at optimum levels and who have the knowledge, skills, and dispositions to meet the complex challenges of their schools today and in the future. Every principal, assistant principal, and school leader must share responsibility for his or her own professional development. To support principal development, NASSP:

- Developed the Virtual Mentors program on the NASSP website using the MetLife/NASSP State Principals of the Year as Virtual Mentors. They share their knowledge and best practices based on their actual in-school experiences. The mentors answer questions, provide advice, and feedback on a variety of concerns.

- Increased and improved programs to develop specific skills administrators need to be successful. Each program focuses on skills that are built on a foundation of key behaviors. Simulations provide participants with a safe environment in which to practice and receive feedback about skill development. These include Leader 1 2 3—A Development Program for Instructional Leaders, 21st Century School Administrator Skills (SAS) Program, Mentoring and Coaching, *Breaking Ranks* Leadership, Leading From the Middle—A Program to Improve Instructional Leadership Skills for Middle Level Administrators, Let's Talk, From the Desk Of..., and Succession Planning.

- Conducted assessment programs that measure leadership potential by diagnosing behavioral strengths and development needs in skill areas essential to successful school leadership. These include Selecting & Developing the 21st Century Principal, the Developmental Assessment Center, and the Superintendent Leadership Development Program**.**

- Launched *Principal Leadership* magazine, winning multiple awards from the publication industry in the process.

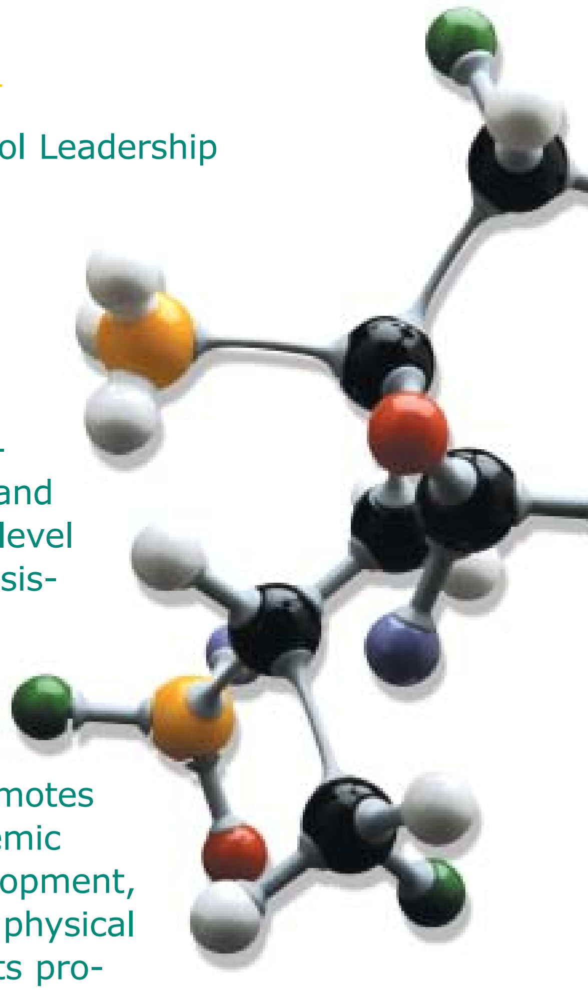
- Held a very successful professional development and networking annual Convention in Phoenix—our largest in more than 10 years.

Strategic Framework 2000-2001

Mission Statement

Promoting Excellence in School Leadership

Vision Statement



The National Association of Secondary School Principals—the preeminent organization and the national voice for middle level and high school principals, assistant principals, and aspiring school leaders—provides its members the professional resources to serve as visionary leaders. NASSP promotes the intellectual growth, academic achievement, character development, leadership development, and physical well-being of youth through its programs and student leadership services. NASSP administers the National Honor Society™ and the National Association of Student Councils™.

Key Strategic Objectives

- Support the Role of the Principal
  - Provide professional development for principals
  - Influence educational policy
  - Provide timely and relevant research-based information
  - Gain support of the educational leadership community for the principalship

- Increase the Pool of Qualified and Motivated Individuals for the Principalship
  - Advocate on behalf of the principalship educational/public policy issues related to hiring, attrition, the principal shortage, professional development, etc.
  - Identify and pursue new collaborative opportunities with principal preparation programs

- Grow, Diversify, and Retain Membership in NASSP
  - Enhance member services
  - Promote retention among all membership segments
  - Secure membership growth in under-represented areas and demographics, including highly populated growth states, urban areas, and among minorities, and women

- Strengthen and Enhance the Relationships with State Affiliates
  - Provide opportunities for regular meetings and the sharing of information with state affiliates
  - Cooperate in providing professional development opportunities
  - Cooperate in providing membership and marketing opportunities

- Promote and Enhance National Association of Student Councils™ (NASC) & National Honor Society™/National Junior Honor Society™ (NHS/NJHS) Programs and Products
  - Increase the visibility of NHS/NJHS to new audiences
  - Recruit new schools and retain existing schools
  - Expand use of the website as a delivery mechanism for programs and products
  - Refine the content of existing student activity programs as needed
  - Increase participation in student activity programs and conferences
  - Develop NASC as a recognized national voice for youth issues (i.e., voter education, nutrition, school safety, etc.)

Trust to Reach Education Excellence

MISSION STATEMENT

The Trust to Reach Education Excellence (TREE), the foundation of the National Association of Secondary School Principals, promotes equity and excellence in student achievement for disadvantaged youth and schools.

RESEARCH TO BENEFIT HIGH POVERTY SCHOOLS

Meta-Analysis of research to support recommendations in Breaking Ranks underwritten by NetSchools

Survey: Strategic Business Partnerships with Public Schools underwritten by NSDA

Pathways to College Network, a national program working to improve college access and success for under-served youth

MAJOR FUNDRAISING EVENT

TREE 5K run/walk held at NASSP annual convention, underwritten by Minnesota Life Insurance Company

TREE GRANTS AND SCHOLARSHIPS

National Leadership Camp Scholarships underwritten by the Coca-Cola Company

Full camp tuition and travel scholarships were awarded to 50 financially disadvantaged student leaders to attend one of NASSP's 5 National Leadership Camps. TREE will continue this successful program next summer.

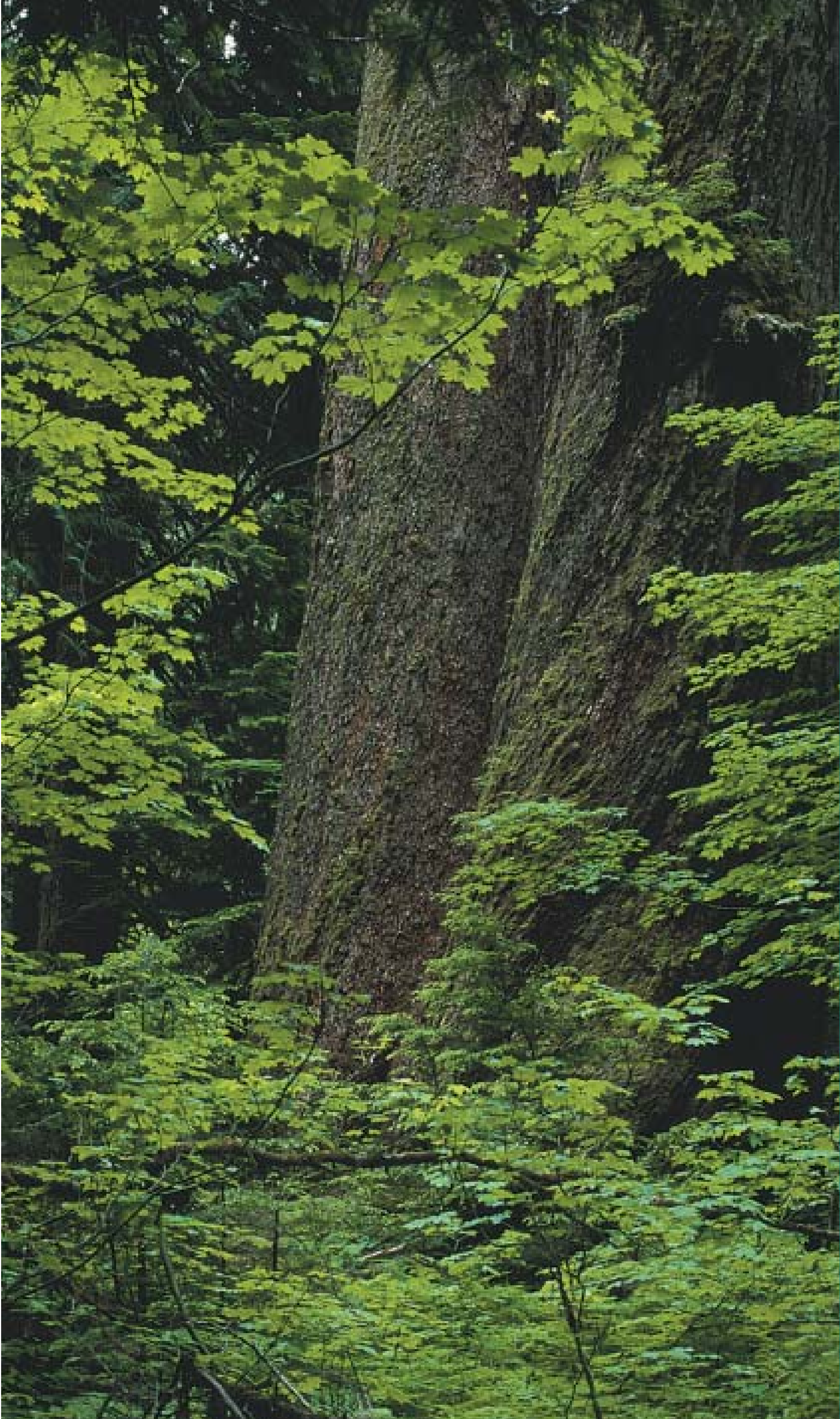
The GTE Education Technology Grant Program underwritten by the GTE Foundation

This grant funded programs that included professional development for teachers and principals to learn how to integrate technology into the teaching and learning process. Six schools received a $25,000 award for the second year to improve student achievement through the use of technology following the recommendations in *Breaking Ranks: Changing an American Institution*. All six schools are located in high-poverty areas.

TREE's impact: dollars granted and number of people affected:

DOLLARS GRANTED	**2000–2001**
GTE Education Technology Grants	150,000
NLC Scholarships	50,000
TOTAL grants/scholarships given	**$ 200,100**

STUDENTS AND/OR SCHOOL LEADERS IMPACTED	**2000–2001**
GTE Education Technology Grants	3,600
NLC Scholarships	50
TOTAL students/leaders affected	**3,650**



NASSP Leadership

Executive Director
Gerald N. Tirozzi

Board of Directors:
President
William J. Grobe, Principal, AIM High School, NY

President-Elect
Denny R. Vincent, Principal, Muhlenberg North High School, KY

Carolyn Adams, Principal, Oak Grove High School, MS
Glen R. Clark, Principal, American Fork High School, UT
Charita Crockrom, Principal, Collinwood Middle School, OH
Jay Diede, Principal, Watford City Junior/Senior High School, ND
Michael J. Donnell, Assistant Principal, Hingham High School, MA
Rochelle Friedman, Principal, George Mason Middle School, VA
Edwin S. Hedgepeth, Principal, Farragut High School, TN
Robert Hurley, Principal, Northern Nash Senior High School, NC
Thomas D. Kidd, Principal, John Adams Junior High School,WV
David F. Lauer, Principal, George W. Jenkins High School, FL
Clete Lipetsky, Principal, Tartan High School, MN
Lee D. McCaskill, Principal, Brooklyn Technical High School, NY
Joseph A. Militello, Principal, Archie R. Cole Junior High School, RI
Michael Parnell, Principal, Carrollton High School, MO
Cynthia A. Rudrud, Principal, Cactus High School, AZ
Peter B. Sack, Principal, Swampscott High School, MA
Phil Silsby, Principal, Belleville Township High School, IL
Margaret I. Spicer, Principal, Owings Mill High School, MD
Keith D. Taton, Principal, Central Middle School, AK
Johnny W. Taylor, Principal, Red Level High School, AL
David Vodila, Principal, Red Lion Area High School, PA
Sandra Young, Assistant Principal, Kamehameha Schools, HI

2002 National Principal of the Year Finalists

Middle Level Finalists

Edward A. Vittardi
Independence Middle School

Edward Vittardi has served as a school administrator for the past two years at Independence Middle School. Vittardi considers the personalization of the educational experience vital to student achievement and school success. "Today and in the future, students at the middle school are entreating a delicate and often tumultuous window of development between the child they were and the adult they will become. All the programs, scheduling, teacher development and team building should be directed toward empowering adolescents with the tools and the confidence to develop their individual voice in a democratic community of learners," Vittardi says. Vittardi has had a direct impact, through instructional leadership, staff development and a team approach school administration, on student achievement.

Kevin J. McHugh
National Winner

Pennwood Middle School

Kevin McHugh is currently the Principal at Pennwood Middle School, a position he accepted in 1996. McHugh believes that the improvement of instruction is at the very core of school success, "The assistant principal and I reinforce best practices in our classroom observation and pre- and post-observation conference interactions. I have also shared these concepts at the district level with other principals. Providing instructional leadership is the most important asset I have." He was recently named an adjunct professor at Lehigh University where he will teach a graduate level course on the principalship as part of the principal preparation program.

Sharon "Sheri" Stears
Orah Dee Clark Middle School

Sharon Stears has spent a total of 7 years in school administration, including the past three years as principal of Clark Middle School. Stears considers listening the most important skill she brings to Clark. When she first took the reigns at Clark three years ago, the school climate presented a number of daunting challenges. Her first order of business was to listen to those around her-teachers, students, parents, and school staff. Together they changed the attitude about success within the school. They have since added more difficult classes to the schedule, increased the number of students on honor roll, and provided activities that are aligned with student interests-such as an after-school Break-dancing class, tae kwon do, and Eskimo doll making.

High School Finalists

David A. Bruzga
Long Reach High School

David Bruzga has been the Principal of Long Reach High School for the past six years. Opening a new technology magnet high school in Howard County brought many new challenges for an already seasoned principal. Bruzga was intent on aligning the direction of the school with current research about what works with high school education. Many of his administrative decisions are the direct result of such research. At the same time, Bruzga was committed to ensuring that students, specifically the personalization of teaching, were the focal point of the school. "The need to personalize and 'humanize' the high school environment for both students and teachers has been a guiding principle of our school since its opening." Mr. Bruzga and his staff have been very successful in obtaining grants that allow them to focus on this personalization.

Sharon L. Buddin
National Winner

Ridge View High School

Sharon Buddin has been the principal of Ridge View High School for the past eight years. Opening a new school offered a great opportunity for this already experienced principal. She was responsible for the physical readiness of the new school building, but equally as important, for establishing the new school's climate. Ridge View, under Dr. Buddin's leadership, has developed five schools-within-a-school and established a place where students feel welcome and, safe, when the desire to learn thrives. Establishing partnerships within the community was a big part of creating a quality climate at Ridge View. "Partnerships with businesses and community agencies can no longer be simply lip-service to a good idea. They must be working entities that expand the scope of education into the real-world settings with real-world insights," Buddin says.

Paul V. Mitchell
Colonial High School

Paul Mitchell has served as Principal of Colonial High School since 1997. Mitchell is dedicated to modeling behavior that focuses on teaching and learning. He makes it a point to visit 25 classrooms each day, where he both observes and interacts with teachers and students. He has formed curriculum teams for each subject area with a designated curriculum leader. "As an instructional leader, I knew that we needed to concentrate on teaching and learning, with our instructional units based on state standards and our instructional methodology based on the needs of students."


463,258•00
4,631•00
326,973•00
1,379,432•00
1,398,552•00
3,167,123•00
13,754•00
168,532•00

Independent Auditors' Report

To the Board of Directors
National Association of Secondary
School Principals and Affiliate
Reston, Virginia

We have audited the accompanying consolidated statement of financial position of National Association of Secondary School Principals and Affiliate (the Association) as of June 30, 2001, and the related consolidated statements of activities, changes in net assets, and cash flows for the year then ended. These consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Association of Secondary School Principals and Affiliate as of June 30, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting standards generally accepted in the United States of America.

WATKINS, MEEGAN, DRURY & COMPANY, L.L.C.
Bethesda, Maryland
August 30, 2001, except for Note 17, as to which the date is October 3, 2001.

Consolidated Statements

(The accompanying notes are an integral part of these financial statements.)

Consolidated Statement of Financial Position

ASSETS

Current Assets

Cash and Cash Equivalents	$ 585,401
Short-Term Investments	1,199,937
Accounts Receivable	2,118,717
Inventory	610,114
Prepaid Expenses	172,170
Total Current Assets	**4,686,339**

Noncurrent Assets

Property and Equipment, Net	4,916,297
Board-Designated Investments	1,430,112
Intangible Pension Asset	834,074
Deposits	340,844
Total Noncurrent Assets	7,521,327
	$ 12,207,666

LIABILITIES AND NET ASSETS

Current Liabilities

Line of Credit	$ 600,000
Accounts Payable	1,636,852
Accrued Expenses	1,706,221
Deferred Revenue	4,432,239
Current Portion of Accrued Pension Liability	1,050,551
Current Portion of Accrued Postretirement Benefit Cost	79,535
Current Portion of Capital Lease Obligations	50,961
Current Portion of Royalty Advance	400,000
Total Current Liabilities	**9,956,359**

Noncurrent Liabilities

Long-Term Portion of Accrued Pension Liability	408,548
Long-Term Portion of Accrued Postretirement Benefit Cost	27,202
Capital Lease Obligations	16,218
Royalty Advance	1,204,254
Total Noncurrent Liabilities	1,656,222
Total Liabilities	**11,612,581**

COMMITMENTS

Net Assets

Unrestricted	3,994,295
Temporarily Restricted	140,850
Permanently Restricted	39,481
Accumulated Other Comprehensive Income	(3,579,541)
Total Net Assets	595,085
	$ 12,207,666

Consolidated Statement of Activities

REVENUE, GAINS, AND OTHER SUPPORT	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
Membership Dues	$ 8,180,391	$ –	$ 8,180,391
Sales and Handling Charges	6,093,101	–	6,093,101
Grants and Contributions	1,284,972	1,209,970	2,494,942
Conferences and Meetings	2,961,711	–	2,961,711
Travel Office Commissions	342,088	–	342,088
Assessment Center Fees	528,557	–	528,557
Advertising	389,885	–	389,885
Royalties	503,736	–	503,736
Other Income	901,503	–	901,503
Investment Income	31,282	–	31,282
Net Assets Released from Restrictions, Satisfaction of Program Restriction	1,314,950	(1,314,950)	–
Total Revenue, Gains, and Other Support	$ **22,532,176**	$ **(104,980)**	**$ 22,427,196**

EXPENSES	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
• Program Services			
Student Services	$ 5,837,617	$ –	$ 5,837,617
Joint Programs	1,933,979	–	1,933,979
Professional Development	2,602,466	–	2,602,466
Special Services	2,221,111	–	2,221,111
Professional Status	705,145	–	705,145
Total Program Services	$ 13,300,318	$ –	**$ 13,300,318**
• Supporting Services			
Association Management	6,566,785	–	6,566,785
Membership Development	2,088,961	–	2,088,961
Total Supporting Services	8,655,746	–	8,655,746
Total Expenses	21,956,064	–	21,956,064
Change in Net Assets	$ **576,112**	$ **(104,980)**	**$ 471,132**

Consolidated Statement of Changes in Net Assets

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
• Net Assets, Beginning of Year	$ 3,418,183	$ 245,830	$ 39,481	$ (2,809,003)	**$ 894,491**
• Change in Net Assets	576,112	(104,980)	–	–	**471,132**
• Other Comprehensive Income (Expense)					
Minimum Pension Liability Adjustment	–	–	–	(770,538)	**(770,538)**
• Net Assets, End of Year	$ 3,994,295	$ 140,850	$ 39,481	$ (3,579,541)	**$ 595,085**

Consolidated Statement of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	$ 471,132
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Additional Minimum Pension Liability	(770,538)
Depreciation	556,463
Bad Debts	86,384
Unrealized and Realized Losses	112,006
Change in:	
Accounts Receivable	680,250
Inventory	61,166
Prepaid Expenses	28,472
Deposits	(260,076)
Intangible Pension Asset	136,914
Accounts Payable	260,928
Accrued Expenses	(156,391)
Deferred Revenue	(613,596)
Accrued Pension Liability	(145,387)
Accrued Postretirement Benefit Cost	106,737
Net Cash Provided by Operating Activities	**554,464**

CASH FLOWS FROM INVESTING ACTIVITIES

Redemption of Short-Term Investments, Net	114,711
Purchases of Board-Designated Investments	(502,000)
Purchases of Property and Equipment	(688,771)
Net Cash Used in Investing Activities	**(1,076,060)**

CASH FLOWS FROM FINANCING ACTIVITIES

Drawdowns on Line of Credit	309,005
Payments on Capital Lease Obligations	(101,783)
Increase on Royalty Advance, Net	474,773
Net Cash Provided by Financing Activities	**681,995**

NET INCREASE

in Cash and Cash Equivalents	160,399

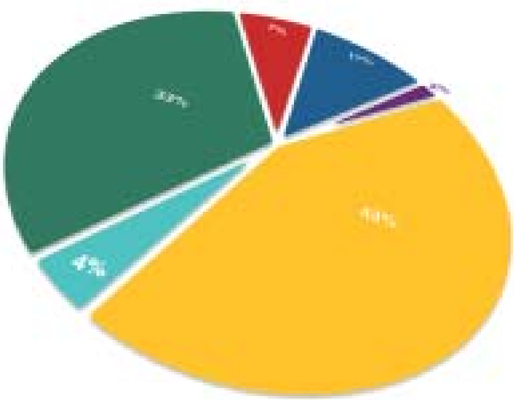
CASH AND CASH EQUIVALENTS

Beginning of Year	425,002

CASH AND CASH EQUIVALENTS

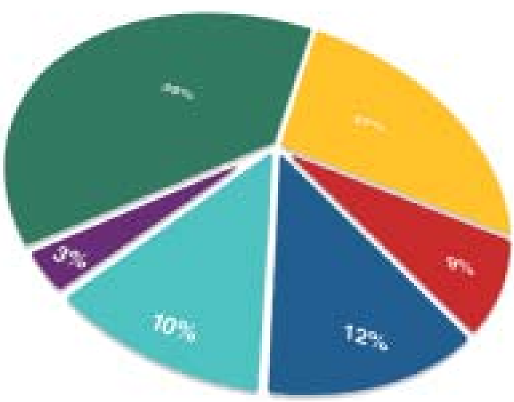
End of Year	**$ 585,401**

REVENUE BY PROGRAM SERVICE



- Student Services **43%**
- Joint Programs **7%**
- Professional Development **11%**
- Special Services **4%**
- Professional Status **2%**
- Association Management & Membership Development **33%**

EXPENSE BY PROGRAM SERVICE



- Student Services **27%**
- Joint Programs **9%**
- Professional Development **12%**
- Special Services **10%**
- Professional Status **3%**
- Association Management & Membership Development **39%**

(The accompanying notes are an integral part of these financial statements.)

NOTE 1 GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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.

TREE: The Trust to Reach Educational Excellence (the Foundation) is an organization committed to supporting programs for disenfranchised youth.

Principles of Consolidation

The consolidated financial statements include the accounts of the Association and the Foundation. All significant intercompany accounts and transactions between the organizations have been eliminated in consolidation.

Summary of Significant Accounting Policies

Basis of Accounting – The Association uses the accrual basis of accounting.

Cash and Cash Equivalents – For the purpose of reporting cash flows, 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 carried at fair value.

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.

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.

Unrestricted Net Assets – Unrestricted net assets consist of funds which are currently available to support the Association's daily operations.

Temporarily Restricted Net Assets – The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the restriction is met in the same period in which the revenue is received, the revenue is recognized as unrestricted support.

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 Allocation of 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.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments – Financial instruments which potentially subject the Association to concentrations 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. As of June 30, 2001, the Association had a significant concentration of risk in demand deposits (see Note 14).

Income Tax Status – The Association is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, the Association and the Foundation are required to report unrelated business income to the Internal Revenue Service and the state of Virginia, as well as pay certain other taxes to local jurisdictions. In addition, the Internal Revenue Service has determined that the Association and the Foundation are not private foundations. There was no unrelated business income tax liability for the year ended June 30, 2001.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

Trade, Net of Allowance for Doubtful Accounts of $152,000	$ 867,388
Contracts and Grant Receivables	73,364
Membership Dues in Transit	708,849
Employee Advances and Other Receivables	11,200
Presidential Education Awards Program	229,526
American Citizenship Awards Program	43,784
State Association Advances	123,705
Commissions	60,901
	$ 2,118,717

NOTE 3 BOARD-DESIGNATED INVESTMENTS

Board-designated investments consist of cash and investments stated at fair value as follows:

Cash	$ 51,299
Equities	688,151
Government Securities	507,123
Corporate Bonds	183,539
	$ 1,430,112

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land	$ 207,993
Building and Improvements	4,261,759
Furniture and Equipment	987,526
Computer Equipment and Software	1,860,020
Property Held Under Capital Leases	542,852
	7,860,150
Less Accumulated Depreciation	2,943,853
	$ 4,916,297

NOTE 5 ROYALTY ADVANCES

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. The Association received an advance of $1,176,085 on March 4, 1998, revised to $2,000,000 on July 12, 2000. The annual royalty receipts shall be applied 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, 2005. The balance of the advance at June 30, 2001, totaled $1,604,254. The Association has agreed to repay the royalty advance with interest at the London Interbank Offered Rate (LIBOR) for the three-month contracts, plus 1%.

NOTE 6 INVESTMENT INCOME (LOSS)

Investment income (loss) for the year consists of:

Interest and Dividends	$ 162,537
Realized Losses	(30,630)
Unrealized Loss on Marketable Securities	(81,376)
Investment Management Fees	(19,249)
	$ 31,282

NOTE 7 LEASES

The Association leases computer hardware and software and telephone equipment under capital leases expiring in various years through 2003. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. The assets are depreciated over their estimated productive lives. The book value of leased equipment at June 30, 2001, was $77,679.

Minimum future lease payments under capital leases as of June 30, 2001, are as follows:

Year Ending June 30,	
2002	$ 55,768
2003	16,704
Total Minimum Lease Payments	72,472
Less Amount Representing Interest	5,293
Present Value of Net Minimum Lease Payments	67,179
Less Current Maturities	50,961
Total Long-Term Maturities	$ 16,218

Interest rates on capital leases vary from 10.50% to 11.73%, and are imputed based on the lessor's implicit rate of return.

The Association leases storage space for inventories under an operating lease expiring in 2002. **Minimum future rental payments, including an annual 3% increase, as of June 30, 2001, are as follows:**

Year Ending June 30,	
2002	$ 33,949

Rent expense for the year ended June 30, 2001, was $ 75,031.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2001, consist of the unexpended portion of temporarily restricted contributions received by the Association. **These contributions are restricted for the following programs:**

Youth Travel	$ 15,762
MetLife Principal of the Year	91,492
Northwest Regional Educational Laboratory	22,364
Wendy's High School Heisman Program	5,375
Emerging Leaders Program	2,474
Dale Hawley Memorial Fund	2,190
Community Outreach International	1,193
	$ 140,850

NOTE 9 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of assets of the Forrest E. Long Memorial Fund, whose use by the Association is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Association. The restriction stipulates that resources be maintained permanently, but permits the Association to expend income generated in accordance with the provisions of the agreement.

NOTE 10 PENSION PLANS

The Association maintained a defined benefit pension plan (the Plan) covering substantially all of its employees. The benefits were based on years of service and the employee's average compensation over the highest three consecutive years of service.

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. 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 Association's funding policy is to contribute between the minimum required and the maximum deductible amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. The Plan's assets are held by Massachusetts Mutual Life Insurance Company and by Minnesota Mutual Life Insurance Company in the form of group annuity contracts.

The following table sets forth the Plan's funded status at June 30, 2001:

Actuarial Present Value of Accumulated Benefit Obligation	$ 13,733,000
Less Plan Assets at Fair Value	(12,273,901)
Projected Benefit Obligation in Excess of Plan Assets	**$ 1,459,099**

Changes in the Plan's net accrued pension liability follow:

Net Accrued Pension Liability, Beginning of Year	
Intangible Pension Asset	$ (970,988)
Current Portion of Accrued Pension Liability	1,152,425
Long-Term Portion of Accrued Pension Liability	452,061
	633,498
Net Periodic Pension Expense	373,414
Additional Minimum Liability, Recognized as Other Comprehensive (Income) Expense	770,538
Funding Payments Made	(1,152,425)
Net Accrued Pension Liability, End of Year	**$ 625,025**

The additional minimum pension liability, recognized as other comprehensive (income) expense, represents the adjustment to recognize the minimum liability required under FASB 87, net of the change in unrecognized prior service costs.

Net accrued pension liability, end of year, is comprised of:

Intangible Pension Asset	$ 834,074
Accrued Pension Liability	
Current Portion of Accrued Pension Liability	1,050,551
Long-Term Portion of Accrued Pension Liability	408,548
Projected Benefit Obligation in Excess of Plan Assets	**1,459,099**
Net Accrued Pension Liability, End of Year	**$ 625,025**

The provisions of Statement of Financial Accounting Standards Nos. 87 and 132, *Employers Accounting for Pensions*, require the Association to recognize an accrued pension liability ($1,459,099) equal to the amount by which the actuarial present value of the accumulated benefit obligation ($13,733,000) exceeds the plan's assets at fair value ($12,273,901). An intangible pension asset is recognized to the extent of the unrecognized prior service cost of $834,074.

Net periodic pension costs for 2001 included the following components:

Service Cost of the Current Period	$ –
Interest Cost	893,707
Expected Return on Plan Assets	(725,312)
Net Amortization and Deferral	117,054
Actuarial Loss	87,965
Net Periodic Pension Expense	**$ 373,414**

The assumption used in the Plan's actuarial computations are as follows:

Discount Rate	8.50%
Long-Term Rate of Return on Plan Assets	7.50%
Rate of Increase in Future Compensation Levels	Not Applicable

Based on the actuary's calculation, the Association's minimum required contribution to the Plan will be approximately $1.2 million for the Plan year ended June 30, 2002. Because of the inherent uncertainties in estimating pension obligations, it is reasonably possible that the estimates used will change within the near term.

During 1999, NASSP 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. NASSP matches 50% of employee contributions not to exceed 6% of compensation. Contributions totaled $101,460 in 2001.

During 1999, NASSP 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 NASSP. Employees are neither required nor permitted to contribute to the Plan. The contribution for 2001 was determined to be 7% of eligible compensation. Contributions totaled $298,358 in 2001.

NOTE 11 POSTRETIREMENT HEALTH INSURANCE BENEFITS

The Association provides health insurance benefits for certain retired employees. Substantially all employees may become eligible for these benefits when they reach the age of 55, provided they are still employed by the Association and meet all the established requirements. The Association funds amounts necessary to pay annual health insurance premiums for current retirees only. In 2001, the Association funded $92,706. Effective July 1, 2000, the Association adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." As provided under SFAS No. 106, the Association has elected to recognize the transition obligation on a delayed basis over the participants' future service periods.

Net periodic postretirement benefit cost for 2001 included the following components:

Service Cost	$ 54,114
Interest Cost	88,148
Amortization of Transition Obligation	57,181
	$ 199,443

The actuarially-calculated funded status of the plan at June 30, 2001, is reconciled with the amount shown in the statement of financial position at that date as follows:

Accumulated Postretirement Benefit Obligation	$ (1,240,330)
Plan Assets at Fair Value	–
Funded Status	(1,240,330)
Unrecognized Net Actuarial Loss	47,151
Unrecognized Transition Obligation	1,086,442
Accrued Postretirement Benefit Cost	**$ (106,737)**

The assumptions used in the actuarial computations are as follows:

Weighted Average Discount Rate	8%
Assumed Health Care Cost Trend Rate For Future Years	
2002	8.5%
2003	8.0%
2004	7.5%
2005	7.0%
2006	6.5%
2007	6.0%
2008	5.5%
2009 and Later Years	5.0%

NOTE 12 COST OF SALES

Program services expenses includes the cost of sales of publications and other inventoriable items, amounting to $1,927,605 for the year ended June 30, 2001.

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Association reserves space for its conventions several years in advance. As of the date of this report, the Association entered into various contracts. However, due to the numerous variables involved, the Association's ultimate liability under these contracts cannot be determined.

NOTE 14 CONCENTRATION OF RISK

The Association maintained a balance of demand deposits at one of its banks in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The amount of uninsured deposits at June 30, 2001, amounted to approximately $816,770.

NOTE 15 LINE OF CREDIT

The Association has a line of credit at Bank of America for $1,000,000 with interest payable based on the Euro dollar rate plus 1%, maturing February 28, 2002. The line of credit is secured by the Association's short-term investments up to the amount of the line of credit. The balance as of June 30, 2001, was $600,000.

NOTE 16 SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest during the year was $182,884.

NOTE 17 SUBSEQUENT EVENT

On October 3, 2001, the Association received a $3,000,000 loan facility and $1,000,000 credit line from United Bank. Interest accrues on the outstanding principal balance at 7% per year and may be adjusted every three years. The loan requires payments of principal and interest based on a twenty-year amortization period. The loan contains certain financial covenants and is secured by a deed of trust, assignment of leases and rents, and security agreement on the Association's building. It matures September 30, 2011.

The credit line is unsecured and bears interest at the Wall Street Prime Rate and expires September 30, 2002.

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