2004

National Association of Secondary School

PRINCIPALS

2004

ANNUAL REPORT

TWO THOUSAND FOUR

NATIONAL ASSOCIATION OF SECONDARY SCHOOL PRINCIPALS

A Message to Our Members

We are pleased to report that 2004 was another very good year for the National Association of Secondary School Principals, the nation's largest education leadership association. Throughout the nation and in Washington, DC, elected officials, policymakers, and the news media are aware more than ever before of issues and challenges facing school leaders and secondary schools. NASSP has worked hard to advocate and educate on behalf of our members and believes that the success of our efforts is demonstrated in the examples of our work highlighted in this Annual Report. Our national voice continues to grow on Capitol Hill, with the administration, and with other organizations advocating for education. This is accomplished with significant support from the collective voice of our members through the increased use of the Principal's Legislative Action Center (PLAC). Later in this report, we detail many of the activities that have made your voice known to policymakers and legislators.

In order to meet the needs of our members and represent their interest in the nation's capital, we must be a responsible and fiscally sound organization. The 2004 fiscal year was a strong year for NASSP. We ended the year with a change in net assets, a profit, of $1,069,000. Our continued financial success has allowed us to enhance our programs, products, and services for our members.

Building a strong financial foundation has been a key component of strengthening NASSP's future. Fiscal 2004 completes six consecutive years of profitable operations, providing the necessary funds to expand programs and services to members and continue our goal to grow long-term reserves to 40% of the budget. With the conclusion of fiscal year 2004, our long-term reserves have grown to $3,084,000, approximately 14% of the budget.

The Board of Directors, continuing to exercise its fiduciary responsibility, conducted a thorough review of the financial audit services it receives. Over a seven-month period, many days were spent reviewing audit proposals and interviewing audit firms. Through this exhaustive process, we continued our contract with Watkins, Meegan, Drury, and Company to provide audit services to the Association. Since the auditors work for your Board of Directors, the Board meets regularly and independently with the auditors to review the audit and discuss any findings or recommendations. You should be pleased with your Board of Directors' unwavering commitment to fiscal responsibility and accountability during a time when the national news is filled with stories of retirement plan troubles, corporate scandals, and accounting irregularities.

NASSP continues to provide quality services and programs at a minimal investment to school leaders. Whether it is our award-winning publications, our proven leadership programs such as *Breaking Ranks II*, or our ongoing efforts in school reform (*e.g.*, adolescent literacy legislation, Perkins Career-Technical education policy paper, IDEA reauthorization), we are zealous about providing our members with the most up-to-date quality information and training to make our members' professional lives that much easier. We are particularly excited about our newly established NCLB Task Force, which is made up of practitioners and will issue recommendations for the upcoming NCLB reauthorization, as well as our soon to be released policy papers on high school reform and graduation rates. These advocacy efforts are led by our

capable Advocacy & Strategic Alliances staff, which vigorously strives to affect public policy by shifting attitudes, shaping public debate, and educating policymakers, all in support of principals and secondary schools.

We also continue to provide an array of high-quality student service, focused on developing and enhancing student leadership skills, such as the National Association of Student Councils and the National Honor Society (NHS) and National Junior Honor Society (NJHS). Today, it is estimated that more than one million students participate in activities of the NHS and NJHS, through more than 21,000 chapters found in all 50 states, the District of Columbia, Puerto Rico, most U.S. territories, and Canada. NASC affiliates number more than 17,000.

While this Annual Report highlights many of the issues and actions tackled in 2004, we look forward to a challenging and successful future as secondary school leaders and NASSP together continue to blaze new trails. As we move forward, we cannot thank you enough for the support you provide us and we look forward to greater successes in the coming year.

Sincerely,

Cynthia A. Rudrud

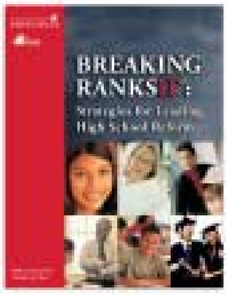
Cynthia Rudrud
President
NASSP

Gerald N. Tirozzi

Gerald N. Tirozzi
Executive Director
NASSP

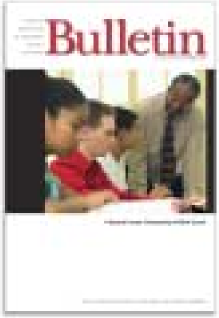
NASSP Highlights in 2004

With the leadership of the NASSP Board of Directors—all current school leaders—NASSP has had a year of great accomplishments! There were a number of highlights over the past year of NASSP activities initiated on behalf of secondary school leaders. NASSP staff were deeply involved in the political, legislative, and editorial discourse surrounding NCLB, IDEA, secondary schools and many other issues, fighting every step of the way to ensure that policy decisions made in Washington, DC reflect the concerns of secondary school leaders.



- Disseminated *Breaking Ranks II* free of charge to all high school principals in the United States. The education community has embraced the report. The U.S. Department of Education frequently featured it during their recent high school conferences.

- Held, with support from the Gates Foundation and U.S. Department of Education, high school summits in 17 states based on *Breaking Ranks II*. NASSP is also training individuals to instruct principals on how to implement *Breaking Ranks II* within their schools.



- Won multiple industry awards for both *Principal Leadership and NASSP Bulletin* for content and design all the while delivering members high-quality, useful information in every issue.

- Continue enrichment of the NASSP Web site with timely and useful information for members, the media, and policymakers.

- Secured a feature interview in the publication, *Education Daily*, with NASSP Executive Director Gerald N. Tirozzi on NASSP's perspective on high school reform. The interview appeared in *Ed Daily* in January.

- Conduct weekly interviews with the news media on issues pertinent to secondary schools and the principalship.

- Appeared in daily print and online news outlets and on radio and television outlets including ABC News and ABC News.com, National Public Radio, CNN, Fox News.com, C-Span, ESPN, the Associated Press, *Newsweek*, *USA Today*, *Education Week*, the *Los Angeles Times*, the *Fresno Bee*, the *Chicago Tribune*, the *Minneapolis Star Tribune*, the *Indianapolis Star*, the *Washington Post*, the *New York Times*, the *Philadelphia Inquirer*, the *Ft. Lauderdale Sun-Sentinel*, the *Atlanta Journal Constitution*, the *Chronicle of Higher Education*, *Education Daily*, and many other media outlets.

- Maintain working relationships with members of Congress and their staffs, the Bush administration, and other education-related organizations to encourage and advance the position of school leaders and secondary schools.

- Provided members with regularly updated resources to better understand legislative issues and federal policy decisions through *Newsleader* and the NASSP Web site.

- Increased the use of the Principal's Legislative Action Center (PLAC), located on the NASSP Web site, as a member-driven grassroots vehicle to efficiently express their real-life school-based expertise on education policy to policymakers, elected officials, and the media. More than 17,000 letters were sent to elected officials in the past year!

- Initiated dialogue and held meetings with the National Governors Association (NGA) with regard to the association's interest in high school reform initiatives. As a result, NASSP has had the opportunity to comment on NGA policy recommendations prior to release. High school reform is also expected to be a primary focus of the administration and the 109th Congress.

- Drafted a policy paper on high school reform in order to position the Association as a key player in the upcoming debate. The paper will outline specific policy recommendations from the perspective of the school principal and will serve as the foundation of our efforts to influence policymakers on the issue of high school reform.

- Formed and co-lead a working adolescent literacy coalition with the International Reading Association and a number of other education organizations, in order to draw attention to and advocate on behalf of the literacy needs of our nation's middle level and high school students. The coalition, spearheaded by NASSP, got legislation sponsored in both the House and Senate and encouraged President Bush to include an adolescent literacy program in his FY 2005 budget. Congress recently appropriated $25 million for the program (Striving Readers program). While this funding level is not nearly enough, it was a considerable accomplishment in a very difficult budget year when very few new programs were being considered.

- Work closely with House and Senate members to draft legislation developing adolescent literacy programs in middle level and high schools. Both a House and Senate version were introduced in Congress last year.

- Formed an NCLB Task Force, made up of practitioners, to provide meaningful recommendations to improve the law through legislation and regulations.

- Released a policy paper on the issue of graduation rates.

- Served a key role in the debate over reauthorization of the Perkins Vocational and Technical Education Act, which occurred during the 108th Congress. In addition to developing a policy paper on the subject—which struck a balance between increased rigor and the need to retain technical and vocational training as part of the Act—NASSP held a congressional event, sponsored by the Congressional Rural Education Caucus, to highlight the report and educate Capitol Hill staffers on how valuable this program is, as well as the ways it should be revised. NASSP worked closely with Hill staff as well as other organizations within the Career-Technical Education Coalition. As a result, both House and Senate bills reflected the NASSP recommendations.

- Advocate consistently (with NAESP) on the importance of leadership training and professional development. NASSP and NAESP successfully advocated for the School Leadership Initiative program to be funded by Congress even with President Bush once again proposing to eliminate this program from the budget. The School Leadership Initiative received an increase in FY 2005, even in a tough budget year where many programs were eliminated.

- Serve on the Committee for Education Funding's (CEF) Executive Committee. CEF is the preeminent education funding advocacy coalition comprising more than 100 organizations. As a direct result of NASSP involvement, CEF has begun to highlight more secondary school and principal programs in its letters, publications, and advocacy efforts.

- Meet on a weekly basis with other organizations that are concerned about federal policy as related to schools. The Elementary-Secondary Working Group, Learning First Alliance, and IDEA Full Funding Coalition are a few of the coalitions that have produced sign-on letters in support of school-friendly initiatives.

- Advocated successfully for the inclusion of several key improvements to the Individuals with Disabilities Education Act (IDEA). Included were: a paperwork reduction demonstration for states, reform of the discipline system, and changes to the due process system, which benefit schools and principals. NASSP worked with staff in the House and Senate to influence the policy debate and decisions made with regard to the outcome of the bill.

- Published a monthly editorial with NAESP on policy-related issues pertinent to school leaders and pre-K–12 education. These editorials are also sent to every member of Congress.

- Serve on the Institute for Educational Leadership's (IEL) Communications Work Group along with advocacy/public affairs professionals from the majority of major education organizations.

- Strengthened our commitment to middle level leaders with a number of activities focused on middle level administrators and their schools, including our ongoing partnership with Scholastic Inc. in their Middle Level Literacy Institute, and work on the second phase of our National Study of Leadership in Middle Level Schools titled *Leadership for Highly Successful Middle Level Schools*. The study examines six highly successful middle schools that are representative of middle level schools across the country.

- Provided our members with a tremendous professional development and networking event at our Annual Convention in Orlando, FL.

New Jersey members meet with their Representative on Capitol Hill during the National Leadership Assembly

2005 National Principal of the Year Finalists

Middle Level Finalists

Carol A. Janssen
Catherine M. McGee Middle School
Berlin, Connecticut

Drawing from 20 years as a middle level principal and a passion for education, Carol Janssen works diligently to nurture, empower, and support McGee Middle School staff as they implement the tenets of effective middle school reform. Even in the face of severe budget cuts and increased accountability requirements, Janssen has managed, with her staff, to maintain a rigorous curriculum while meeting the unique needs of adolescent learners. A flexible schedule allows for pure academic teams, common grade level planning periods, expanded exploratory courses, and a daily morning meeting for all students. A uniform discipline policy, character education program, and professional development training for all staff members have improved school climate and instilled a sense of family among all members of the McGee community. A critical element of Janssen's leadership strategy is teacher empowerment. For the past four years, she has led teachers in the Understanding by Design initiative and established a Leadership Council that gives teachers an active role in deciding school initiatives and policies. "I continually strive to develop McGee Middle School into a community of life-long learners, innovative educators, and supportive parents," she says.

Randy C. Jensen NATIONAL MIDDLE LEVEL WINNER
William Thomas Middle School
American Falls, Idaho

When Randy Jensen took over the leadership of William Thomas Middle School 14 years ago, it was a middle school in name only. In the years since, he has led the restructuring of the school program to include teaming, teacher advisory, a flexible block schedule, and a parent advisory committee. Jensen recognizes the importance of data in developing school programs. When low state test scores indicated literacy problems, Jensen implemented reading across the curriculum, a reading coach, and expanded math and reading classes for struggling students. The result was significantly higher student achievement in just one year. When data indicated a decrease in student performance in late morning classes, the school developed a mid-morning nutrition break. Jensen also implemented a Skill Exploration program to build student self-esteem and motivate students to learn. Every Friday in January, all 550 students participate in activities of their choice, such as downhill skiing, sculpting, and cake decorating. Jensen knows every student by name—part of his quest to ensure that every student succeeds. "This is such a misunderstood and tumultuous time in the lives of young people, so those of us who know and love them must be their advocates," said Jensen.

Daniel N. Johnson
Mount Logan Middle School
Logan, Utah

A common vision serves as the foundation for life at Mount Logan Middle School, where Daniel Johnson and his staff strive to ensure that their students are lifelong learners. Johnson's firm belief that all students can succeed guides the school's continuous improvement model and has prompted the implementation of a variety of supports for the school's diverse student population. In a few short years, the school of 1,300 students went from 6% minority population to 25%—many of them limited-English proficient students. Johnson subscribes to a philosophy that includes four strategies for success: hire the best person for the position, provide training and mentoring, trust and empower staff members, and provide frequent feedback. These strategies are played out throughout the school as teachers collaborate to set goals, evaluate programs, and implement the school improvement plan. This collaboration is vital as this school rallies to address the consequences of rapidly changing demographics. "When all is said and done, I think the most important thing I can do is to be a positive role model right in the place where I work every day," he says.

High School Finalists

Gail H. Awakuni NATIONAL HIGH SCHOOL WINNER
James Campbell High School
Ewa Beach, Hawaii

Gail Awakuni sees her role at James Campbell High School as one of transformational leader and moral change agent. Working with teachers and staff members, she has undertaken a re-culturing of the school of 1,900 students to instill a sense of responsibility, trust, and pride. The re-culturing was guided by several "design principles," including professional learning communities, personalization through smaller communities of learning, a rigorous curriculum, and demonstrated mastery. One of the most significant elements of the reform effort was the implementation of a block schedule. Awakuni mounted a two-year effort to "sell" the concept to the staff and community and was rewarded with 96% support. With the block schedule came opportunities for increased staff development. Teachers teach three periods per day and have one period of staff development for collaborative inquiry, modeling, observation, and team planning. The new schedule also includes an advisory period for students to meet regularly with staff members. Awakuni recognizes the importance of meeting each student's needs. "School operations and procedures need to be flexible to accommodate the diverse needs of students," she says. "No child should be left behind or fall between the cracks."

Sally S. Lundblad
Louisburg High School
Louisburg, Kansas

Total staff involvement and personalization are the key ingredients for success at Louisburg High School, where Sally Lundblad and her staff have taken a school on the brink of losing its accreditation to one that is a healthy and thriving learning community. Visibility and accessibility are her hallmarks at this small rural high school of 450 students. She makes a habit of getting to every classroom at least once a week and holds "fireside chats" so staff members voice their opinions. A focus on professional learning communities has galvanized the staff as they develop strategies to meet each student's unique learning needs. A modified block schedule that allows for an advisory system, a freshman transition program, peer tutoring, computer-based instruction, and recognition for academic and personal excellence promote the success of all students. Lundblad also promotes collaborative efforts between the middle school and high school: teachers meet regularly to discuss curriculum and state assessment objectives. And she still finds time to teach a student leadership class! "We must work together to accomplish the task set before us: that of refining an education system to better meet the needs of our changing world," she says.

Melinda K. Reeves
Decatur High School
Decatur, Texas

As a first-time principal, Melinda Reeves faced many challenges at Decatur High School—not the least of which were limited resources and low student achievement. Eight years later, Decatur boasts recognition as a National Blue Ribbon School of Excellence. Reeves' determination to turn the school around manifested itself in a variety of reform strategies. A modified accelerated block schedule allows students to earn 32 credits and includes a variety of AP and dual-credit courses. A summer math camp and science camp for at-risk freshmen and ninth grade core groups provide opportunities for personalization. A special tutorial program provides intense instruction for the lowest-performing students. Reeves empowers all teachers and staff members through site-based decision making in planning, budgeting, curriculum, staffing, professional development, and school organization. A consensus-building process gives all stakeholders a voice as they strive to give all students the tools to succeed. "Educators can no longer be the silent servants of the 20th Century," she says. "We must be the voice of the 21st Century that cries out to create a system that will serve all students."

Board of Directors

President
Cynthia A. Rudrud, Principal
Raymond S. Kellis High School
Glendale, AZ

President-Elect
David Vodila, Principal
Red Lion Area High School
Red Lion, PA

Kimberly K. Bellum, Principal
Watertown High School
Watertown, SD

Larry D. Bradley, Principal
Pflugerville High School
Pflugerville, TX

Charita Crockrom, Principal
Collinwood High School
Cleveland, OH

Bruce Gee, Principal
Mill River Union High School
N. Clarendon, VT

H. Gayle Gulick, Assistant Principal
South Aiken High School
Aiken, SC

Jim Head, Principal
Oak Hill Academy
Laurel, MD

Thomas D. Kidd, Principal
John Adams Junior High School
Charleston, WV

Arthur Linder, Principal
Oak Hill Academy
Laurel, MD

Joseph A. Militello, Principal
Archie R. Cole Junior High School
Greenwich, RI

Michael D. Madison, Principal
Forsythe Middle School
Ann Arbor, MI

Jan Miner, Principal
Clackamas High School
Clackamas, OR

Evan Myers, Principal
Ledford Middle School
Thomasville, NC

Elizabeth Panella, Principal
Fair Lawn High School
Fair Lawn, NJ

R. Scott Pfeifer, Principal
Centennial High School
Ellicott City, MD

Steven S. Pophal, Principal
D.C. Everest Junior High School
Schofield, WI

José L. Rodriguez, Principal
San Fernando High School
San Fernando, CA

Barry Stark, Principal
Norris Middle School
Firth, NE

Paul Stringer, Principal
Weaver High School
Hartford, CT

Charlie J. Tolliver, Principal
Vicksburg High School
Vicksburg, MS

Brenda Weber, Principal
North High School
Evansville, IN

Wesley White, Principal
Russellville High School
Russellville, AR

Sandra Young, Principal
Kamehameha Middle School
Honolulu, HI

Executive Director
Gerald N. Tirozzi

Independent Auditors' Report

Watkins, Meegan, Drury & Company, L.L.C.
Certified Public Accountants
Business and Financial Advisors

Independent Auditors' Report

To the 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 (the Association) as of June 30, 2004, and the related statements of activities, changes in net assets, 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, 2004, 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.

Watkins, Meegan, Drury & Company, L.L.C.

Bethesda, Maryland
September 17, 2004

Statements

Statement of Financial Position June 30, 2004

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 3,411,998
Short-Term Investments	966,265
Accounts Receivable	1,792,836
Inventory	754,312
Prepaid Expenses	228,143
Total Current Assets	7,153,554
NONCURRENT ASSETS	
Property and Equipment, Net	5,146,903
Board-Designated Investments	3,084,659
Intangible Pension Asset	341,183
Deposits	251,819
Total Noncurrent Assets	8,824,564
Total Assets	**$ 15,978,118**
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	$ 1,547,857
Accrued Expenses	1,896,512
Deferred Revenue	4,946,980
Current Portion of Accrued Postretirement Benefit Cost	58,167
Current Portion of Notes Payable	84,823
Current Portion of Royalty Advance	400,000
Total Current Liabilities	8,934,339
NONCURRENT LIABILITIES	
Long-Term Portion of Accrued Pension Liability	1,691,727
Long-Term Portion of Accrued Postretirement Benefit Cost	247,504
Long-Term Portion of Notes Payable	2,731,284
Long-Term Portion of Royalty Advance	1,042,895
Total Noncurrent Liabilities	5,713,410
Total Liabilities	14,647,749
COMMITMENTS	-
NET ASSETS	
Unrestricted	7,677,707
Temporarily Restricted	441,691
Permanently Restricted	39,481
Accumulated Other Comprehensive Expense	(6,828,510)
Total Net Assets	1,330,369
Total Liabilities and Net Assets	**$ 15,978,118**

The accompanying notes are an integral part of these Financial Statements

Statement of Activities For the Year Ending June 30, 2004

REVENUE, GAINS, AND OTHER SUPPORT	Unrestricted	Temporarily Restricted	Total
Membership Dues	$ 8,542,784	$ -	$ 8,542,784
Sales and Handling Charges	6,828,964	-	6,828,964
Grants, Contracts, and Contributions	2,439,972	226,000	2,665,972
Conferences and Meetings	2,277,020	-	2,277,020
Assessment Center Fees	243,582	-	243,582
Advertising	429,564	-	429,564
Royalties	536,768	-	536,768
Travel Office Commissions	209,569	-	209,569
Other Income	956,151	-	956,151
Investment Gain, Net	243,078	-	243,078
Net Assets Released from Restrictions, Satisfaction of Program Restriction	320,435	(320,435)	-
Total Revenue, Gains, and Other Support	23,027,887	(94,435)	22,933,452
EXPENSES			
Program Services			
Student Services	6,289,165	-	6,289,165
Joint Programs	1,964,548	-	1,964,548
Professional Development	2,678,962	-	2,678,962
Special Services	3,071,397	-	3,071,397
Professional Status	919,739	-	919,739
Total Program Services	14,923,811	-	14,923,811
Supporting Services			
Association Management	4,969,175	-	4,969,175
Membership Development	1,971,400	-	1,971,400
Total Supporting Services	6,940,575	-	6,940,575
Total Expenses	21,864,386	-	21,864,386
Change in Net Assets	$ 1,163,501	$ (94,435)	$ 1,069,066

Statement of Changes in Net Assets For the Year Ending June 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Accumulated Other Comprehensive Income (Expense)	Total
Net Assets, Beginning of Year	$ 6,514,206	$ 536,126	$ 39,481	$ (6,635,574)	$ 454,239
Change in Net Assets	1,163,501	(94,435)	-	-	1,069,066
Other Comprehensive Income (Expense)					
Minimum Pension Liability Adjustment	-	-	-	(192,936)	(192,936)
Net Assets, End of Year	$ 7,677,707	$ 441,691	$ 39,481	$ (6,828,510)	$ 1,330,369

The accompanying notes are an integral part of these Financial Statements

Statement of Cash Flows For the Year Ending June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 1,069,066
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Additional Minimum Pension Liability Adjustment	(192,936)
Depreciation	556,169
Loss on Sale of Property and Equipment	996
Unrealized and Realized Gains, Net	(124,936)
Change in:	
Accounts Receivable	215,670
Inventory	24,581
Prepaid Expenses	61,683
Deposits	(168,764)
Intangible Pension Asset	164,297
Accounts Payable	(73,564)
Accrued Expenses	(344,657)
Deferred Revenue	(293,723)
Accrued Pension Liability	180,151
Accrued Postretirement Benefit Cost	21,969
Net Cash Provided by Operating Activities	1,096,002
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Property and Equipment	590
Purchases of Short-Term Investments, Net	(776,364)
Purchases of Board-Designated Investments, Net	(584,957)
Proceeds from Sale of Short-Term Investments	1,623,882
Proceeds from Sale of Board-Designated Investments	312,758
Purchases of Property and Equipment	(517,347)
Net Cash Provided by Investing Activities	58,562
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on Notes Payable	(78,750)
Decrease on Royalty Advance, Net	(441,748)
Net Cash Used in Financing Activities	(520,498)
NET INCREASE IN CASH AND CASH EQUIVALENTS	634,066
CASH AND CASH EQUIVALENTS	
Beginning of Year	2,777,932
CASH AND CASH EQUIVALENTS	
End of Year	$ 3,411,998

The accompanying notes are an integral part of these Financial Statements

Notes to Financial Statements

June 30, 2004

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.

Summary of Significant Accounting Polices

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 are carried at fair value and consist of an interest-bearing money market fund, certificates of deposit with an original maturity of greater than three months and government agency notes.

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 - The Association records accounts receivable net of allowances for doubtful accounts, when necessary. The allowances are determined based on a review of the estimated collectibility of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged-off against the allowances for doubtful accounts once management determines an account, or a portion thereof, to be worthless.

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 a 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and 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.

Income Tax 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 state 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, 2004.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

Trade, Net of Allowance for Doubtful Accounts of $70,000	$ 629,562
Grant and Contract Receivables	263,056
Membership Dues in Transit	564,305
Other	335,913
	$ 1,792,836

NOTE 3 BOARD-DESIGNATED INVESTMENTS

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

Cash	$ 145,830
Certificates of Deposit	605,289
Equities	1,138,060
Government Securities	916,858
Corporate Bonds	278,622
	$ 3,084,659

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land and Improvements	$ 322,741
Building and Improvements	5,117,845
Furniture and Equipment	1,594,100
Computer Equipment and Software	2,357,229
	9,391,915
Less Accumulated Depreciation	4,245,012
	$ 5,146,903

NOTE 5 NOTES PAYABLE AND LINE OF CREDIT

On October 3, 2001, the Association received loan facilities totaling $3,000,000 and a $1,000,000 credit line. Interest accrues on the outstanding principal balance at 7.0 percent per year and may be adjusted every three years. On April 21, 2004, the Association renegotiated a new interest rate of 5.25 percent effective May 1, 2004, until September 30, 2007, at which time the interest rate shall be fixed at 2.5 percent in excess of the then-applicable three-year United States Treasury obligation rate, but in no event for any such period shall the interest rate be less than 5.25 percent or more than 8.25 percent. The loans require payments of principal and interest based on a twenty-year amortization period. The loans 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. The loans mature September 30, 2011.

Future maturities of the loans are as follows for the year ending June 30:

2005	$ 84,823
2006	89,529
2007	94,277
2008	99,276
2009	104,541
Thereafter	2,343,661
	$ 2,816,107

The credit line is unsecured and bears interest at the Wall Street Prime Rate and, if not renewed, expires November 30, 2004. There were no amounts outstanding on the line of credit at June 30, 2004.

Interest expense totaled $192,097 on the notes payable and line of credit for the year ended June 30, 2004.

NOTE 6 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 annual royalty receipts are 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, 2008. The balance of the advance at June 30, 2004, totaled $1,442,895. The Association has agreed to repay the royalty advance with interest at the London Interbank Offered Rate (LIBOR) for three-month contracts, plus 1 percent.

NOTE 7 LEASES

The Association leases warehouse space for inventory and fulfillment, under an operating lease expiring in 2007. Minimum future rental payments, including an annual 3 percent increase, as of June 30, 2004, are as follows:

Year Ending June 30,	
2005	$ 59,559
2006	$ 61,346
2007	$ 57,776

Rent expense for the year ended June 30, 2004, was $78,988.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2004, consist of the unexpended portion of temporarily restricted contributions received by the Association. These contributions are restricted for the following programs:

Principal of the Year	$ 175,000
Emerging Leaders Program	2,474
Breaking Ranks Leadership: Mapping the Change of an American Institution	13,059
Institute for Family Friendly Schools	8,258
Principal of the Year Relief Fund	16,100
Assistant Principal of the Year	176,000
National Leadership Camps	50,800
	$ 441,691

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 COST OF SALES

Program services expenses include the cost of sales of publications and other inventoriable items, amounting to $2,288,387 for the year ended June 30, 2004.

NOTE 11 COMMITMENTS AND CONTINGENCIES

The Association has been named in a lawsuit, filed in Massachusetts in 1997, involving the Association's member liability insurance program. The suit involves a claim for fees and costs of approximately $100,000. Under Massachusetts state law, the plaintiff, if successful in their claim, will be entitled to interest on the claim at a rate of 12 percent per year. The ultimate outcome of the suit cannot be determined at this time. The estimated range of possible loss, if any, is $25,000 to $250,000. Management believes the case is without merit and plans to vigorously defend the Association against the claim.

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

NOTE 12 CONCENTRATION OF RISK

The Association maintained balances at banks in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The amount of uninsured deposits at June 30, 2004, amounted to $3,822,354, which included $3,666,075 collateralized by government-backed securities.

NOTE 13 INVESTMENT GAIN, NET

Investment income (loss) for the year consists of:

Interest & Dividends	$ 146,466
Realized Gains	58,276
Unrealized Gain on Marketable Securities	66,660
Investment Management Fees	(28,324)
	$ 243,078

NOTE 14 PENSION PLANS

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 $131,543 for 2004.

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. Employees are neither required nor permitted to contribute to the Plan. The contribution for 2004 was determined to be 7 percent of eligible compensation. Contributions totaled $392,488 for 2004.

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

The 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 Minnesota Mutual Life Insurance Company in the form of unallocated insurance contracts in pooled separate accounts.

Note 14 Pension Plans (Continued)

The following table sets forth the Plan's funded status at June 30, 2004:

Actuarial Present Value of Accumulated Benefit Obligation	$ 13,315,601
Less Plan Assets at Fair Value	(11,623,874)
Projected Benefit Obligation in Excess of Plan Assets	$ 1,691,727

Additional pension disclosures are as follows for the year ended June 30, 2004:

Net Periodic Pension Expense	876,511
Benefits Paid	688,416
Employer Contributions	$ 725,000

The provisions of Statement of Financial Accounting Standards (SFAS) Nos. 87 and 132, Employers Accounting for Pensions, require the Association to recognize an accrued pension liability ($1,691,727) equal to the amount by which the actuarial present value of the accumulated benefit obligation ($13,315,601) exceeds the Plan's assets at fair value ($11,623,874). An intangible pension asset is recognized to the extent of the unrecognized prior service cost of $341,183. An additional minimum pension liability, recognized as other comprehensive (income) expense, represents the adjustment to recognize the minimum liability required under SFAS 87, net of the change in unrecognized prior service costs.

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

Intangible Pension Asset	$ (341,183)
Accrued Pension Liability	
Current Portion of Accrued Pension Liability	-
Long-Term Portion of Accrued Pension Liability	1,691,727
Projected Benefit Obligation in Excess of Plan Assets	1,691,727
Net Accrued Pension Liability, End of Year	$ 1,350,544

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

Discount Rate	6.50%
Long-Term Rate of Return on Plan Assets	7.50%
Rate of Increase in Future Compensation Levels	Not Applicable

NOTE 15 POSTRETIREMENT 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 2004, the Association funded $59,519. Effective July 1, 2001, the Association adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." As provided under SFAS 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 2004 included the following components:

Service Cost	$ 9,629
Interest Cost	45,678
Amortization of Transition Obligation	34,426
	$ 89,733

The actuarially-calculated funded status of the Plan at June 30, 2004, is reconciled with the amount shown in the statement of financial position at that date as follows:

Accumulated Postretirement Benefit Obligation	$ (733,076)
Plan Assets at Fair Value	-
Funded Status	(733,076)
Unrecognized Net Actuarial Gain	(156,022)
Unrecognized Transition Obligation	583,427
Accrued Postretirement Benefit Cost	$ (305,671)

The assumptions used in the actuarial computations are as follows:

Weighted Average Discount Rate	6.50%
Assumed Health Care Cost Trend Rate for Future Years	
2005	7.0%
2006	6.5%
2007	6.0%
2008	5.5%
2009 and Later Years	5.0%

NOTE 16 SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest during the year was $247,461.

2004

National Association of Secondary School
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