A Message to Our Members

Just as teachers encourage students to use their strengths to overcome their shortcomings, so too must school leaders remember to use all of their strength to address and overcome challenges. That strength comes from knowing that there is a vast network of support among colleagues and that the National Association of Secondary School Principals is committed to providing expertise and resources to help you fulfill your mission.

The 2007 Annual Report can provide only an overview of the innovative activities and initiatives that NASSP engages in to support effective school leadership. Many highlights for 2007 are related to federal policy, reflecting how diligently NASSP has advocated on behalf of its members to take a stand on the reauthorization of NCLB and to insist that middle level education receives the support and attention it requires to fulfill its role in school improvement. NASSP also continued its dedication to providing practical resources by sending two valuable resources to all members: *The Changing Role of the Middle Level and High School Leader: Learning from the Past—Preparing for the Future* and *Making the Mathematics Curriculum Count: A Guide for Middle Level and High School Leaders*. In addition, training for *Breaking Ranks II: Strategies for High School Reform* and *Breaking Ranks in the Middle: Strategies for Middle Level Reform* was provided to more than 2,000 school leaders. The commitment to student leadership, specifically through the National Honor Society; National Junior Honor Society; and National Association of Student Councils, has grown to include the Certified Student Leader and National Council of Excellence programs.

None of these activities would be possible without the commitment you have made to us through your membership. We are pleased to report that your trust in our stewardship has again been rewarded with a healthy financial report card that will allow us to continue our efforts to provide the resources, information, and expertise you need to effectively lead your schools.
One way we demonstrate appreciation for the trust you place in our stewardship is through our full and complete financial audit by outside auditors. The 2007 audit was conducted by LarsonAllen, LLP. The NASSP Board of Directors closely oversees the financial audit and meets regularly and independently with the auditors to review the audit and discuss the findings and recommendations. The auditors’ report and financial statements for the year ended June 30, 2007, are included in this annual report. We are pleased to note that we closed the year with a Change in Net Assets of $2,012,339 from operations, the ninth consecutive year of profitable operations. The Association adopted the Statement of Financial Accounting Standard 158 (FAS 158), Employers’ Accounting for Defined Benefit Plans and Other Postretirement Plans, as of June 30, 2007. As required by FAS 158, the Association recognized in the Statement of Financial Position the funded status of its retirement benefit plans. This one time charge of $8,294,312 results in a Change in Net Assets after adoption of FAS 158 of ($6,281,973).

NASSP will continue to build on this legacy of success and address several crucial areas during 2008:

- Today’s school leaders need tools that will allow them to assess their skills efficiently and effectively and provide real-time feedback. The launch of the NASSP online Leadership Skills Assessment will accomplish this for the busiest of current and prospective school leaders.
- Pressure is mounting to show schoolwide improvement in math. NASSP’s Making the Mathematics Curriculum Count: A Guide for Middle and High School Principals, promises to be a valuable tool to help principals gather and analyze the data required to improve mathematical literacy throughout the school.
- A new assistant principal task force will be charged with improving professional development for assistant principals, delivering programs and resources to inform the day-to-day work of assistant principals, and connecting those managerial tasks to instructional leadership.
- A new IDEA task force will develop a set of specific legislative recommendations for improving IDEA and its effectiveness at the school level.
- The reauthorization of the No Child Left Behind (NCLB) Act will affect every school and school leader. NASSP is actively working with federal lawmakers and agencies to ensure that commonsense changes are made to this critical legislation. NASSP President Barry Stark, principal of Norris Middle School in Firth, NE, is already scheduled to carry your message and thoughts to the U.S. Congress and relevant committees as NCLB reauthorization comes to the fore. His message will rely heavily on the recommendations made by the NCLB task force, which focused on adequate yearly progress; special education; data, assessment, and testing; teacher quality; and English language learners. The recommendations can be found at www.principals.org/nclb.

Anticipating and adapting to the reality of a changing world is a challenge for all education leaders, and NASSP is committed not only to helping you prepare for leadership in this ever-changing world but also to guiding the profession and influencing policy so that the principal’s evolving role remains productive and professional and focused on instructional excellence, academic rigor, and student success.

Sincerely,

Barry Stark
President, Board of Directors
National Association of Secondary School Principals

Gerald N. Tirozzi
Executive Director
National Association of Secondary School Principals
National Center for Middle Level Leadership

The National Center for Middle Level Leadership is dedicated to helping equip middle level leaders with resources to enhance academic rigor and social equity while maintaining developmental appropriateness for all students. Through outreach to middle level leaders, it will support the recommendations and strategies of Breaking Ranks in the Middle: Strategies for Leading Middle Level Reform. Among the Center’s initiatives are identification of research, best practices, and instructional strategies to improve student learning and achievement; regional institutes to train the next generation of middle level leaders; an online newsletter; a skills assessment tool to help tailor professional development; and policy recommendations related to the middle level. The Center is supported by Minnesota Life.

NASSP Leadership Skills Assessment

NASSP has designed a dynamic new professional development program for current and aspiring school leaders. This online tool assists participants—individuals and teams—in assessing their leadership strengths and improvement needs and constructing an individualized professional development plan. The program is available at www.principals.org/SKILLS.
Making the Mathematics Curriculum Count

With support from Minnesota Life, this publication was distributed to every NASSP member principal and assistant principal as a tool to help them develop effective schoolwide plans to improve mathematics literacy. It includes templates and other resources for beginning and sustaining a schoolwide numeracy initiative.

NASSP Convention and Exposition

More than 4,000 people attended the 2007 Convention in Las Vegas. Highlights of the Convention included a free Forum for New Principals and Assistant Principals, record attendance at the High School Luncheon and Urban Viewpoint Breakfast sessions, and a presentation by Thomas Friedman at the last general session.

National Leaders’ Conference

Nearly 500 school leaders gathered in Washington, DC, to discuss federal laws and policies that affect education. High school, middle level, and elementary principals and assistant principals met with members of Congress during the NAESP-NASSP National Leaders’ Conference to make recommendations about how to improve the No Child Left Behind Act; recommendations included allowing the results of multiple assessments; employing growth models to determine student progress, measuring the achievement of the same students and subgroups from year to year; delaying requirements that the scores of English language learners be used in the determination of adequate yearly progress until those students have developed language proficiency; and fully funding NCLB.
H. R. 354

To amend the Elementary and Secondary Education Act of 1965 to improve school safety.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 9, 2007

Mrs. MCCARTHY of New York introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

To amend the Elementary and Secondary Education Act of 1965 to improve school safety.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Safe Schools Against Violence in Education Act" or the "SAVE Act".

SEC. 2. FINDINGS.

Congress finds the following:

(1) The Department of Education reports that—

Grants and Corporate Support

School leaders and student leaders would not be able to take advantage of many NASSP-initiated programs were it not for the generous support of various corporations, foundations, and other donors. NASSP’s well-respected track record of stewardship and accountability have enabled us to bring valuable and necessary programs to principals, assistant principals, and student leaders. Among the programs supported through external funding are such recognition programs as the Principal Leadership Awards, the state and national Principal of the Year Awards and the Assistant Principal of the Year Awards; Raising Student Voice & Participation; Breakthrough Schools; and Spirit of Community student service recognition.

Legislative Accomplishments: Safer Schools and Literacy

Among the many initiatives NASSP advocated for on behalf of members, one was particularly successful. NASSP worked with the office of Congresswoman Carolyn McCarthy (D-NY) on the Safe Schools Against Violence in Education Act (H.R. 354) and specifically drafted language that would allow school districts to use Safe Schools/Healthy Students Initiative grant funding to administer schoolwide climate surveys. NASSP also worked with the International Reading Association and the Alliance for Excellent Education to draft the Striving Readers Act (H.R. 2289/S. 958), an adolescent literacy initiative introduced by Sen. Jeff Sessions (R-AL) and Rep. John Yarmuth (D-KY).
Board of Directors

**President**
Barry Stark, Principal  
Norris Middle School  
Firth, NE

**President-Elect**
Larry D. Bradley, Principal  
Pflugerville High School  
Pflugerville, TX

Harve Tancrede, Assistant Principal  
Memorial High School  
Manchester, NH

Allyn Hutton, Principal  
Falmouth High School  
Falmouth, ME

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

Nick T. Manolakos, Assistant Principal  
Alexis I. DuPont High School  
Wilmington, DE

Keith Bridges, Principal  
Clinton High School  
Clinton, SC

Gregory A. Wheeler, Principal  
Appomattox County High School  
Appomattox, VA

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

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

Carol Moehring, Principal  
North Royalton High School  
North Royalton, OH

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

Scott Affentranger, Principal  
Cleveland High School  
Rio Rancho, NM

Jill Martin, Principal  
Thomas B. Doherty High School  
Colorado Springs, CO

Jeffrey S. Miller, Principal  
East Valley High School  
Spokane Valley, WA

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

Charlie J. Tolliver, Principal  
Grove Street School  
Vicksburg, MS

Patrick Blenke, Principal  
Duluth High School  
Duluth, GA

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

Georgia Lee Taton, Principal  
Kenny C. Guinn Middle School  
Las Vegas, NV

Michael D. Madison, Interim Principal  
Dicken Elementary School  
Ann Arbor, MI

Jana Frieler, Principal  
Overland High School  
Aurora, CO

Marguerite W. Early, Principal  
Hokes Bluff Middle School  
Hokes Bluff, AL

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

**Executive Director**
Gerald N. Tirozzi
INDEPENDENT AUDITORS’ REPORT

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

We have audited the accompanying statement of financial position of National Association of Secondary School Principals as of June 30, 2007, 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, 2007, 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.

As discussed in Notes 13 and 14 to the financial statements, the Association adopted Statement of Financial Accounting Standards No. 158, Employers’ Accounting for Defined Benefit Plans and Other Postretirement Plans, as of June 30, 2007.

Arlington, Virginia
October 12, 2007

LarsonAllen LLP

LarsonAllen LLP is a member of Nexia International, a worldwide network of independent accounting and consulting firms.
## Financial Statements

### STATEMENT OF FINANCIAL POSITION, JUNE 30, 2007

**ASSETS**

<table>
<thead>
<tr>
<th>CURRENT ASSETS</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$1,950,871</td>
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<tr>
<td>Short-Term Investments</td>
<td>3,005,076</td>
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<tr>
<td>Accounts Receivable, Net</td>
<td>1,349,817</td>
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<tr>
<td>Inventory</td>
<td>672,718</td>
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<tr>
<td>Prepaid Expenses</td>
<td>432,365</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>7,410,847</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NONCURRENT ASSETS</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and Equipment, Net</td>
<td>3,797,727</td>
</tr>
<tr>
<td>Board-Designated Investments</td>
<td>5,458,407</td>
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<tr>
<td>Deposits</td>
<td>293,868</td>
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<tr>
<td>Total Noncurrent Assets</td>
<td>9,550,002</td>
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<tr>
<td>Total Assets</td>
<td>$16,960,849</td>
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</table>

**LIABILITIES AND NET ASSETS**

<table>
<thead>
<tr>
<th>CURRENT LIABILITIES</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$766,960</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>2,144,538</td>
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<tr>
<td>Deferred Revenue</td>
<td>4,255,421</td>
</tr>
<tr>
<td>Current Portion of Accrued Postretirement Benefit Cost</td>
<td>89,224</td>
</tr>
<tr>
<td>Current Portion of Notes Payable</td>
<td>119,892</td>
</tr>
<tr>
<td>Current Portion of Royalty Advance</td>
<td>101,931</td>
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<tr>
<td>Total Current Liabilities</td>
<td>7,477,966</td>
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</table>

<table>
<thead>
<tr>
<th>NONCURRENT LIABILITIES</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Portion of Accrued Pension Liability</td>
<td>1,896,918</td>
</tr>
<tr>
<td>Long-Term Portion of Accrued Postretirement Benefit Cost</td>
<td>820,950</td>
</tr>
<tr>
<td>Long-Term Portion of Notes Payable</td>
<td>2,377,458</td>
</tr>
<tr>
<td>Total Noncurrent Liabilities</td>
<td>5,095,326</td>
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<tr>
<td>Total Liabilities</td>
<td>12,573,292</td>
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</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Unrestricted</td>
<td>3,555,351</td>
</tr>
<tr>
<td>Temporarily Restricted</td>
<td>792,725</td>
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<td>Permanently Restricted</td>
<td>39,481</td>
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<tr>
<td>Total Net Assets</td>
<td>4,387,557</td>
</tr>
<tr>
<td>Total Liabilities and Net Assets</td>
<td>$16,960,849</td>
</tr>
</tbody>
</table>

See accompanying Notes to Financial Statements.
### SUPPORT AND REVENUE

<table>
<thead>
<tr>
<th>Category</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership Dues</td>
<td>$8,092,636</td>
<td>$ –</td>
<td>$ –</td>
<td>$8,092,636</td>
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<tr>
<td>Sales and Handling Charges</td>
<td>7,331,428</td>
<td>–</td>
<td>–</td>
<td>7,331,428</td>
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<tr>
<td>Grants, Contracts, and Contributions</td>
<td>2,276,402</td>
<td>820,445</td>
<td>–</td>
<td>3,096,847</td>
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<tr>
<td>Conferences and Meetings</td>
<td>2,469,275</td>
<td>–</td>
<td>–</td>
<td>2,469,275</td>
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<tr>
<td>Assessment Center Fees</td>
<td>512,277</td>
<td>–</td>
<td>–</td>
<td>512,277</td>
</tr>
<tr>
<td>Advertising</td>
<td>464,837</td>
<td>–</td>
<td>–</td>
<td>464,837</td>
</tr>
<tr>
<td>Royalties</td>
<td>514,254</td>
<td>–</td>
<td>–</td>
<td>514,254</td>
</tr>
<tr>
<td>Other Income</td>
<td>1,057,577</td>
<td>–</td>
<td>–</td>
<td>1,057,577</td>
</tr>
<tr>
<td>Investment Gain, Net</td>
<td>780,663</td>
<td>–</td>
<td>–</td>
<td>780,663</td>
</tr>
<tr>
<td>Net Assets Released from Restrictions</td>
<td>680,966</td>
<td>(680,966)</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total Support and Revenue</td>
<td>24,180,315</td>
<td>139,479</td>
<td>–</td>
<td>24,319,794</td>
</tr>
</tbody>
</table>

### EXPENSE

**Program Services:**
- Student Services: 6,466,607
- Joint Programs: 1,591,644
- Professional Development: 2,389,935
- Special Services: 3,487,622
- Professional Status: 572,714

**Total Program Services:** 14,508,522

**Supporting Services:**
- Association Management: 5,358,496
- Membership Development: 2,440,437

**Total Supporting Services:** 7,798,933

**Total Expense:** 22,307,455

### CHANGE IN NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative Effect of Change in Accounting Principle</td>
<td>1,872,860</td>
<td>139,479</td>
<td>–</td>
<td>2,012,339</td>
</tr>
</tbody>
</table>

### CHANGE IN NET ASSETS

- **Cumulative Effect of Change in Accounting Principle:** (8,294,312)
- **Net Assets Beginning of the Year:** 9,976,803
- **Net Assets End of Year:** 3,555,351

See accompanying Notes to Financial Statements
CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets .................................................................................................................. $ (6,281,973)

Reconciliation of Change in Net Assets to

Net Cash Provided by Operating Activities:
Cumulative Effect from Change in Accounting Principle ................................................................. 8,294,312
Depreciation...................................................................................................................................... 646,373
Loss on Sale of Property and Equipment ......................................................................................... 703
Unrealized and Realized Gains, Net................................................................................................. (326,691)
Net Periodic Pension Cost .............................................................................................................. (824,597)

(Increase) Decrease in Assets:
Accounts Receivable ....................................................................................................................... (277,453)
Inventory ....................................................................................................................................... 15,221
Prepaid Expenses .......................................................................................................................... (158,994)
Intangible Pension Asset ............................................................................................................... 12,589
Deposits ........................................................................................................................................ (77,479)

Increase (Decrease) in Liabilities:
Accounts Payable .......................................................................................................................... (80,977)
Accrued Expenses ......................................................................................................................... 32,679
Deferred Revenue .......................................................................................................................... 40,513
Accrued Pension Liability ............................................................................................................... (28,215)
Accrued Postretirement Benefit Cost .............................................................................................. 555,733

Net Cash Provided by Operating Activities .................................................................................. 1,541,744

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Board-Designated Investments ................................................................................ (3,026,008)
Sales of Board-Designated Investments .......................................................................................... 2,294,878
Purchases of Short-Term Investments ............................................................................................... (528,102)
Sales of Short-Term Investments ..................................................................................................... 9,665
Purchases of Property and Equipment ............................................................................................ (178,448)

Net Cash Used in Investing Activities ......................................................................................... (1,428,015)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Notes Payable .......................................................................................................... (111,709)
Decreases in Royalty Advance, Net................................................................................................. (460,174)

Net Cash Used in Financing Activities ......................................................................................... (571,883)

NET DECREASE IN CASH AND CASH EQUIVALENTS .................................................................. (458,154)

Cash And Cash Equivalents Beginning of Year ............................................................................. 2,409,025

CASH AND CASH EQUIVALENTS END OF YEAR ........................................................................... $1,950,871

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Cash Paid During the Year for Interest ............................................................................................. $ 168,242

See accompanying Notes to Financial Statements.
NOTE 1
SIGNIFICANT ACCOUNTING POLICIES

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

Tax Exempt Status
The Association is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined that the Association is not a private foundation. However, the Association is required to report unrelated business income to the Internal Revenue Service and the 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, 2007.

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

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

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

Short-Term Investments
Short-Term investments are carried at fair value and consist of an interest-bearing money market fund 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
Accounts receivable represent amounts due for general trade receivables, grant and contracts from private sources, and membership dues in transit. The contracts and grants are earned and reported as revenues when the Association has incurred expenditures in compliance with grantor restrictions. Accounts past due are individually analyzed for collectibility. The Association provides for bad debts using the allowance method, which is based on management judgment considering historical information. When all collection efforts have been exhausted, the account is written off against the allowance for bad debts.
**NOTE 1**

**SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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.

**Net Assets**

Under the provision of Statement of Financial Accounting Standards (SFAS) No. 116, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

- **Unrestricted**—Resources over which the Board of Directors has discretionary control. Designated amounts represent those resources which the board of directors has set aside for a particular purpose.
- **Temporarily Restricted**—Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Association or passage of time.
- **Permanently Restricted**—Those resources for which use has been permanently restricted by the donor.

**Revenue Recognition**

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

**Functional Expenses**

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

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

- **Student Services**—The Association sponsors leadership and recognition programs for high school and middle level school students. The Association's major student programs are the National Honor Society, National Junior Honor Society and National Association of Student Councils, which sponsor training programs, meetings, publications, scholarships and national committees.
- **Joint Programs**—Association activities jointly served and/or administered with other organizations and/or with outside funding.
- **Professional Development**—Activities aimed at aiding members in their professional growth and enrichment; including publications, research activities, conventions, field service programs, national task forces, and committees.
- **Special Services**—Activities promoting school improvement and improving student achievement. The Association sponsors conferences, publications, and training programs to promote and advance the secondary school principalship, secondary school reform, and student achievement.
- **Professional Status**—The Association sponsors insurance programs to support members in maintaining their professional position and in defending themselves from claims arising out of their position in the secondary school principalship.

**NOTE 2**

**CONCENTRATION OF RISK**

Financial instruments, which potentially subject the Association to concentrations of credit risk, consist principally of overnight sweep accounts placed with a financial institution. Funds in excess of Federal Deposit Insurance Corporation (FDIC) limits totaled approximately $2,376,007 at June 30, 2007.

**NOTE 3**

**ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade, Net of Allowance</td>
<td>$430,224</td>
</tr>
<tr>
<td>Doubtful Accounts</td>
<td>$30,424</td>
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<tr>
<td>Grant and Contract Receivables</td>
<td>439,566</td>
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<tr>
<td>Membership Dues in Transit</td>
<td>373,191</td>
</tr>
<tr>
<td>Other, Net of Allowance</td>
<td>106,836</td>
</tr>
<tr>
<td>Total</td>
<td>$1,349,817</td>
</tr>
</tbody>
</table>

**NOTE 4**

**PROPERTY AND EQUIPMENT**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Improvements</td>
<td>$322,741</td>
</tr>
<tr>
<td>Building and Improvements</td>
<td>5,117,845</td>
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<tr>
<td>Furniture and Equipment</td>
<td>1,290,834</td>
</tr>
<tr>
<td>Computer Equipment and Software</td>
<td>2,304,182</td>
</tr>
<tr>
<td>Total</td>
<td>9,035,602</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>5,237,875</td>
</tr>
<tr>
<td>Total</td>
<td>3,797,727</td>
</tr>
</tbody>
</table>
NOTE 5
BOARD-DESIGNATED INVESTMENTS

Board-designated investments are those funds the Board has set aside for use during periods of economic downturn or unexpected events, to maintain the financial stability of the Association, and to retire a significant portion of the mortgage due in 2011. Board-designated investments are stated at fair value and consist of:

<table>
<thead>
<tr>
<th>Investments</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$43,597</td>
</tr>
<tr>
<td>Mutual Funds–Fixed Income</td>
<td>2,713,765</td>
</tr>
<tr>
<td>Mutual Funds–Equity</td>
<td>884,989</td>
</tr>
<tr>
<td>Equities</td>
<td>1,816,056</td>
</tr>
<tr>
<td>Total</td>
<td>$5,458,407</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Income</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and Dividends</td>
<td>$453,972</td>
</tr>
<tr>
<td>Realized Gains</td>
<td>244,465</td>
</tr>
<tr>
<td>Unrealized Gain on Marketable Securities</td>
<td>$2,226</td>
</tr>
<tr>
<td>Total</td>
<td>$780,663</td>
</tr>
</tbody>
</table>

NOTE 6
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:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$126,250</td>
</tr>
<tr>
<td>2010</td>
<td>132,945</td>
</tr>
<tr>
<td>2011</td>
<td>139,995</td>
</tr>
<tr>
<td>2012</td>
<td>1,978,268</td>
</tr>
<tr>
<td>Total</td>
<td>$2,377,458</td>
</tr>
</tbody>
</table>

The credit line is unsecured and bears interest at the Wall Street Prime. If not renewed, the line expires November 30, 2007. There were no amounts outstanding on the line of credit at June 30, 2007.

Interest expense totaled $137,164 on the notes payable and line of credit for the year ended June 30, 2007.

NOTE 7
ROYALTY ADVANCE

The Association has a licensing agreement with Minnesota Mutual Life Insurance Company whereby the Association receives royalty payments. The agreement provides for royalty advances to the Association. 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, 2007 totaled $101,931. 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 8
LEASES

The Association leases warehouse space for inventory and fulfillment, under an operating lease expiring in 2007. Rent expense, which includes rent, common area maintenance, and real estate taxes, was $82,213 for the year ended June 30, 2007. Minimum future rental payments as of June 30, 2007, are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$16,230</td>
</tr>
<tr>
<td>2009</td>
<td>20,005</td>
</tr>
<tr>
<td>2010</td>
<td>22,768</td>
</tr>
<tr>
<td>2011</td>
<td>25,530</td>
</tr>
<tr>
<td>2012</td>
<td>28,391</td>
</tr>
<tr>
<td>Total</td>
<td>$79,272</td>
</tr>
</tbody>
</table>

NOTE 9
TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2007, consist of the unexpended portion of temporarily restricted contributions received by the Association. These contributions are restricted for the following programs:

<table>
<thead>
<tr>
<th>Contributions</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant Principal of the Year</td>
<td>$179,000</td>
</tr>
<tr>
<td>Assistant Principal of the Year–Travel fund</td>
<td>25,000</td>
</tr>
<tr>
<td>Keith Taton Memorial Fund</td>
<td>11,595</td>
</tr>
<tr>
<td>Principal of the Year</td>
<td>$183,188</td>
</tr>
<tr>
<td>Project 540</td>
<td>3,988</td>
</tr>
<tr>
<td>Raising Student Voice and Participation</td>
<td>3,913</td>
</tr>
<tr>
<td>Breakthrough Schools</td>
<td>247,579</td>
</tr>
<tr>
<td>Bridge Builders</td>
<td>107,139</td>
</tr>
<tr>
<td>Principal of the Year Relief Fund</td>
<td>31,323</td>
</tr>
<tr>
<td>Total</td>
<td>$792,725</td>
</tr>
</tbody>
</table>
NOTE 10
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 11
COST OF SALES
Program services expenses include the cost of sales of publications and other items includable as inventory, amounting to $1,984,129 for the year ended June 30, 2007.

NOTE 12
COMMITMENTS AND CONTINGENCIES
The Association has entered into several agreements with hotels for room and conference accommodations for its meetings through 2009. These agreements indicate the Association is liable for liquidated damages in the event of cancellation. At June 30, 2007 the Association commitments for possible liquidated damages totaled approximately $3,300,000. Currently, the Association has no plans to cancel conventions or meetings that would occur in the future and result in liquidated damages.

NOTE 13
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 $161,494 for 2007.

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 2007 was determined to be 7 percent of eligible compensation. Contributions totaled $441,641 for 2007.

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.

Effective June 30, 2007, the Association adopted the recognition provisions of SFAS No. 158, Employers’ Accounting for Defined Benefit Plans and Other Postretirement Plans. As required under SFAS No. 158, the Association must recognize the funded status of the plan, the difference between the fair value of plan assets and the benefit obligation, in the statement of financial position. The incremental effects of applying SFAS No. 158 on the individual line items in the statement of financial position as of that date are as follows:

Change in Benefit Obligation
Projected Benefit Obligation at Beginning of the Year $13,881,818
Service Cost................................................. -
Interest Cost............................................. 1,013,108
Benefits Paid ............................................. (1,056,124)
Actuarial (Gain) Loss ................................... 614,029
Projected Benefit Obligation at End of Year $14,452,831

Change in Plan Assets
Fair Value of Plan Assets at Beginning of the Year $11,706,685
Actual Return on Plan Assets ......................... 880,352
Employer Contributions ............................... 1,025,000
Benefits Paid ............................................. (1,056,124)
Fair Value of Plan Assets at End of Year $12,555,913

Funded Status of the Plan
Benefit Obligation....................................... $14,452,831
Fair Value of Plan Assets ............................. 12,555,913
Excess of Benefit Obligation
Over Fair Value of Plan Assets $1,896,918
NOTE 13
PENSION PLANS (continued)

Components of Net Periodic Benefit Costs
Service Costs............................................... $ -
Interest Costs ............................................. 1,013,108
Expected Return on Plan Assets .............. (1,090,555)
Amortization of Prior Service Costs .......... 12,589
Amortization of Net Actuarial Loss......... 776,361
Net Periodic Benefit Cost......................... $711,503

Underfunded Plan Information
Projected Benefit Obligation at End of Year ...... $14,452,831
Accumulated Benefit Obligation
at End of Year ........................................... 14,452,831
Fair Value of Assets at End of Year .......... 12,555,913

Actuarial Assumptions
Assumptions Used to Determine Benefit Obligations at
June 30:
Discount Rate............................................. 5.83%
Salary Increase Rate ................................. None Assumed

Assumptions used to Determine Benefit Obligations at
July 1:
Discount Rate............................................. 5.83%
Expected Return on Plan Assets .............. 6.75%
Salary Increase Rate ................................. None Assumed

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

<table>
<thead>
<tr>
<th>Year Ending June 30,</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$999,835</td>
</tr>
<tr>
<td>2009</td>
<td>1,020,818</td>
</tr>
<tr>
<td>2010</td>
<td>1,020,137</td>
</tr>
<tr>
<td>2011</td>
<td>1,016,234</td>
</tr>
<tr>
<td>2012</td>
<td>1,062,077</td>
</tr>
<tr>
<td>2013-2017</td>
<td>5,675,852</td>
</tr>
</tbody>
</table>

Weighted-Average Asset Allocations, by Category:
Debt Securities.......................................... 87.00%
Equity Securities ...................................... 13.00%
Total....................................................... 100.00%

The Association expects to contribute at least the minimum
fundng requirement to this plan in the fiscal year ending
June 30, 2008. In addition, it may contribute additional
deductible amounts not yet determined.

NOTE 14
POSTRETIREMENT HEALTH INSURANCE BENEFITS

The Association provides health insurance benefits for
selected retirees. 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 to $185.25 per month, per participant. The
Association funds amounts necessary to pay annual health
insurance premiums for current retirees only. In 2007, the
Association funded $71,428.

The Association adopted the recognition provisions of
SFAS No. 158, Employers’ Accounting for Defined Benefit
Plans and Other Postretirement Plans as of June 30, 2007,
which require that the funded status of the plan be fully
recognized in the statement of financial position. The
incremental effects of applying SFAS 158 on individual
line items in the statement of financial position as of that
date are as follows:

<table>
<thead>
<tr>
<th>Before SFAS 158</th>
<th>After SFAS 158</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Benefit Liability</td>
<td>$ (910,174)</td>
</tr>
<tr>
<td>Intangible Asset</td>
<td>526,726</td>
</tr>
<tr>
<td>Net Assets</td>
<td>526,726</td>
</tr>
</tbody>
</table>

SFAS No. 158 requires, for fiscal years ending after
December 15, 2008, that plan assets and benefit obligations
be measured as of the Association’s fiscal year-end with
earlier adoption encouraged. The Association has elected
to adopt the measurement date provision effective June
30, 2007. As such, the measurement date used for Plan
disclosures is as of June 30, 2007.

The changes in projected benefit obligation are as follows:

Change in Benefit Obligation
Projected Benefit Obligation at
Beginning of the Year ......................... $910,153
Service Cost .......................................... 11,871
Interest Cost .......................................... 54,138
Benefits Paid ......................................... (71,428)
Actuarial (Gain) Loss ......................... 5,440
Projected Benefit Obligation at End of Year .... $910,174

Change in Plan Assets
Fair Value of Plan Assets at
Beginning of the Year ......................... $ -
Actual Return on Plan Assets ..................... -
Employer Contributions ....................... 71,428
Benefits Paid ......................................... (21,428)
Fair Value of Plan Assets at End of Year ........ $ -

Funded Status of the Plan
Benefit Obligation .................................. $910,174
Fair Value of Plan Assets ......................... -
Excess of Benefit Obligation over
Fair Value of Plan Assets ......................... $910,174

Components of Net Periodic Benefit Costs
Service Costs ....................................... $13,468
Interest Costs ......................................... 54,098
Expected Return on Plan Assets ............. -
Amortization of Prior Service Costs ....... 57,181
Amortization of Net Actuarial Loss........ (22,755)
Net Periodic Benefit Cost .................... $101,992
NOTE 14
POSTRETIREMENT HEALTH INSURANCE BENEFITS
(continued)

Underfunded Plan Information
Projected Benefit Obligation at End of Year.........$910,174
Accumulated Benefit Obligation
at End of Year ............................................................. 910,174
Fair Value of Assets at End of Year ...................... -

Actuarial Assumptions
Assumptions Used to Determine Benefit Obligations at
June 30:
Discount Rate ...........................................................6.25%
Salary Increase Rate ........................................ Not Assumed

Assumptions Used to Determine Benefit Obligations
at July 1:
Discount Rate ...........................................................6.25%
Expected Return on Plan Assets...None Assumed
Salary Increase Rate ........................................ None Assumed

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

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$89,224</td>
</tr>
<tr>
<td>2009</td>
<td>92,791</td>
</tr>
<tr>
<td>2010</td>
<td>93,651</td>
</tr>
<tr>
<td>2011</td>
<td>91,235</td>
</tr>
<tr>
<td>2012</td>
<td>88,726</td>
</tr>
<tr>
<td>2013-2017</td>
<td>386,514</td>
</tr>
</tbody>
</table>

Projected contributions for the year ending June 30, 2008
are $89,227.

The impact of a 1.0% increase and decrease in the health
care inflation rate would be $12,591 and $(13,901) upon
the postretirement benefit obligation, respectively, and
$758 and ($844) upon the service cost and interest cost,
respectively, for the year ended June 30, 2007.