

August 6, 2009

California

In order to satisfy its obligation under Chicago Teachers Union v. Hudson to provide agency fee payers with "an adequate explanation of the basis for the fee," the National Education Association ("NEA") has included in this mailing the following documents:

- (1) An 19-page document entitled "National Education Association Chargeable and Nonchargeable Audited Expenditures for the 2007-2008 Fiscal Year;" and
- (2) The NEA Fiscal Year 2007-2008 Auditor's Report, Consolidated Financial Statements and Supplemental Schedules.

The first of the above-mentioned documents breaks down NEA's audited expenditures from its most recently completed fiscal year on a Strategic Goal and Category basis, and specifically indicates the expenditures it has determined to be chargeable to fee payers and those it has determined to be nonchargeable. A more detailed, *i.e.*, output-by-output, explanation of this breakdown can be found on pages 27-41 of the second document. In addition, pages 42-47 of the latter document contain an explanation of how NEA calculates its agency fee chargeable and nonchargeable expenditures.

For purposes of this notice to agency fee payers in California, NEA has determined that in the 2007-2008 fiscal year, 50.95% of its expenditures went for chargeable activities and 49.05% of those expenditures went for nonchargeable activities. Because there is relatively little variation between NEA's 2007-2008 expenditures and completed activities and its 2009-2010 budgeted expenditures and planned activities, NEA's analysis of and its percentages for the 2007-2008 fiscal year expenditures are being applied to the 2009-2010 fiscal year. However, to assure against any possibility that there may be some unexpected variation in expenditures between the 2007-2008 and 2009-2010 years, NEA has added a cushion of 5.95%, resulting in a chargeable percentage of 45% and a nonchargeable percentage of 55%.

# **National Education Association Of the United States and Subsidiaries**

**Consolidated Financial Statements and  
Supplemental Statements and Schedules  
For the years ended August 31, 2008 and 2007  
And Report of Independent Auditors Thereon**

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

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**REPORT OF INDEPENDENT AUDITORS**

To the Executive Committee and Members of  
National Education Association of the United States  
Washington, D.C.

In our opinion, the accompanying consolidated statements of financial position and the related statements of activities, and cash flows present fairly, in all material respects, the financial position of the National Education Association of the United States (a nonprofit corporation incorporated by an Act of the United States Congress) and its subsidiaries ("NEA") at August 31, 2008, and August 31, 2007, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of NEA's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental statements listed in the Table of Contents are presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position and changes in net assets of the individual funds, and are not a required part of the basic consolidated financial statements. The supplemental schedule listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements. This additional information is the responsibility of NEA's management. Such information, except for that marked "unaudited," has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

As discussed in Note 8 to the financial statements, in fiscal year 2007, NEA's wholly owned subsidiary, Member Benefits Corporation ("MBC"), adopted Financial Accounting Standards Board (FASB) Statement No. 158, *Employer's Accounting for Defined Benefit Pension and other Postretirement Plans*, an amendment of FASB Statement No. 87, 88, 106 and 132R.



November 21, 2008

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AUGUST 31, 2008 AND 2007

	2008	2007
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 71,606,015	\$ 60,171,520
Investments	8,585,126	9,875,810
Membership dues and notes receivable - net	52,364,599	46,970,376
Amount due from affiliates and other organizations	1,284,340	1,437,197
Publication and advertising receivables	180,990	154,109
Accounts receivable	7,385,688	8,147,158
Prepaid expenses	2,793,273	3,646,050
Deferred income taxes	225,980	227,600
Other current assets	1,354,230	1,570,980
Total current assets	145,780,241	132,200,800
LONG-TERM ASSETS:		
Investments	9,234,071	8,571,521
Prepaid pension costs	3,568,013	813,046
Property and equipment - net	53,097,418	56,158,861
Total long-term assets	65,899,502	65,543,428
<b>TOTAL ASSETS</b>	<b>\$ 211,679,743</b>	<b>\$ 197,744,228</b>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Mortgage loan payable, current portion	\$ 5,028,860	\$ 6,492,275
Accounts payable and accrued liabilities	28,934,211	26,899,037
Accrued annual leave and fringe benefits	6,855,337	7,358,706
Amount held for affiliates and other organizations	704,083	513,673
Total current liabilities	41,522,491	41,263,691
LONG-TERM LIABILITIES:		
Mortgage loan payable	5,077,270	10,106,130
Accrued severance pay	5,950,163	5,516,944
Deferred retirement benefit	203,420	266,383
Deferred income	15,456,190	15,193,840
Deferred income taxes	458,685	467,600
Total long-term liabilities	27,145,728	31,550,897
Total liabilities	68,668,219	72,814,588
UNRESTRICTED NET ASSETS:		
Undesignated net assets	121,427,761	114,286,564
Net assets designated for postretirement benefits	21,583,763	10,643,076
Total unrestricted net assets	143,011,524	124,929,640
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 211,679,743</b>	<b>\$ 197,744,228</b>

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

**NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED AUGUST 31, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>OPERATING ACTIVITIES</b>		
UNRESTRICTED REVENUES:		
NEA Programs:		
Dues	\$ 334,131,442	\$ 312,425,599
Other	142,560	2,479,178
Total NEA Programs	<u>334,274,002</u>	<u>314,904,777</u>
Member Benefits Programs:		
Program Revenues - Suppliers	57,170,178	63,196,111
Other	1,482,504	1,563,974
Total Member Benefits Programs	<u>58,652,682</u>	<u>64,760,085</u>
TOTAL UNRESTRICTED REVENUES	<u>392,926,684</u>	<u>379,664,862</u>
EXPENSES:		
Program Services:		
NEA Programs	261,733,080	253,601,022
Member Benefits Programs	46,651,461	47,684,100
Total Program Services	<u>308,384,541</u>	<u>301,285,122</u>
Support Services:		
NEA Programs	56,069,071	54,658,130
Member Benefits Programs	8,993,075	11,083,303
Total Support Services	<u>65,062,146</u>	<u>65,741,433</u>
TOTAL EXPENSES	<u>373,446,687</u>	<u>367,026,555</u>
CHANGE IN NET ASSETS FROM OPERATIONS	19,479,997	12,638,307
<b>NON-OPERATING ACTIVITIES</b>		
Change In Actuarial Loss From Defined Benefit Plan	(1,398,113)	-
CUMULATIVE EFFECT OF ADOPTION OF RECOGNITION AND MEASUREMENT DATE PROVISIONS OF FASB STATEMENT No. 158	<u>-</u>	<u>(1,545,807)</u>
CHANGES IN NET ASSETS	<u>18,081,884</u>	<u>11,092,500</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>124,929,640</u>	<u>113,837,140</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 143,011,524</u>	<u>\$ 124,929,640</u>

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

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED AUGUST 31, 2008 AND 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 18,081,884	\$ 11,092,500
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,157,752	5,581,889
Net realized loss or (gain) on investments	402,624	(856,730)
Net unrealized loss or (gain) on investments	1,269,922	(443,973)
Loss on sale of furniture and equipment	825	-
Write-off of furniture and equipment	494,233	2,269,474
Deferred income taxes	(7,295)	(378,800)
Cumulative effect of accounting change to adopt SFAS #158	-	1,545,807
Loss from Defined Benefit Pension Plan	1,398,113	-
Changes in assets and liabilities:		
Increase in membership dues and note receivable	(5,394,223)	(2,107,164)
Decrease (increase) in amount due from affiliates and other organizations	152,857	(321,750)
Increase in publication and advertising receivables	(26,881)	(91,465)
Decrease (increase) in accounts receivable	761,470	(445,831)
Decrease (increase) in prepaid expenses	852,777	(695,430)
Decrease (increase) in other current assets	216,750	(177,202)
(Increase) decrease in prepaid pension costs	(4,153,080)	1,089,101
Increase (decrease) in accounts payable and accrued liabilities	2,035,174	(1,344,703)
(Decrease) increase in accrued annual leave/fringe benefits	(503,369)	681,615
Increase in amount held for affiliates and other organizations	190,410	177,501
Increase in accrued severance pay	433,219	297,074
Increase in deferred income	262,350	136,724
Decrease in deferred retirement benefit	(62,963)	(15,762)
	<u>22,562,549</u>	<u>15,992,875</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(22,428,197)	(22,142,294)
Proceeds on sales of investments	21,383,787	20,468,653
Purchases of furniture and equipment	(3,591,369)	(3,177,937)
	<u>(4,635,779)</u>	<u>(4,851,577)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on mortgage loan payable	(6,492,275)	(6,770,613)
	<u>(6,492,275)</u>	<u>(6,770,613)</u>
Net cash used in financing activities		
NET CHANGES IN CASH AND CASH EQUIVALENTS	11,434,495	4,370,684
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>60,171,520</u>	<u>55,800,836</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 71,606,015</u>	<u>\$ 60,171,520</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION-Cash paid during the year for:</b>		
Interest	<u>\$ 1,387,968</u>	<u>\$ 1,965,627</u>
Income taxes (Member Benefits Corporation)	<u>\$ 3,107,421</u>	<u>\$ 1,365,399</u>

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

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

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### 1. ORGANIZATION

The National Education Association of the United States (“NEA”) is a not-for-profit organization incorporated under an Act of the United States Congress. Its mission statement reads: “to advocate for education professionals and to unite our members and the nation to fulfill the promise of public education to prepare every student to succeed in a diverse and interdependent world.”

To help realize this mission, the NEA in 2006-2007 adopted a vision of “a great public school for every student.” This vision guided NEA’s strategic plan and budget, which is organized around five Strategic Goals and five Operational Services areas.

The Strategic Goals address five key challenges:

- *Closing the achievement gaps*—Assisting state affiliates with securing public policies and associated funding.
- *Reaching out to ethnic minority communities*—Increasing the positive image and support of NEA by ethnic-minority opinion leaders and sustaining the support among the general ethnic minority public.
- *Improving education members’ salaries*—Improving starting salaries for teachers and a living wage for education support professionals and, by assisting higher education locals to engage in effective salary campaigns.
- *Recruiting, retaining and engaging members*—Organizing for membership growth and affiliate development while retaining and engaging current members.
- *Providing strategic support on tax and economic policies and school funding*—Ensuring all state affiliates have available research, technical assistance, and strategic support to develop and implement a plan to increase and stabilize funding for public schools.

The Operational Services areas address regular, ongoing programs and services:

- *Providing state affiliates relevant and meaningful programs and services*—Providing program and financial support necessary to ensure that systems are in place at each level of the Association to provide members with quality programs and services.
- *Advocating for the economic, legal, political, professional, and social interests of all members*—Supporting advocacy activities at the federal and state levels, supporting a wide array of legal services, and providing technical and financial support to affiliates related to the concerns of minorities and women in teaching.
- *Communicating with leaders, staff, and the general public*—Publicizing the goals and accomplishments of NEA and its members using media and public relations activities.
- *Governance activities and leadership development*—Enhancing leadership within the Association and govern NEA in an efficient and effective manner based on its democratic principles.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

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- *Business Operations*—Providing NEA with the foundation and framework to ensure organizational effectiveness and maintain a sound internal infrastructure that supports the basic operational services of the association.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Principles of Consolidation*—The consolidated financial statements include the accounts of NEA, its wholly owned subsidiary: NEA’s Member Benefits Corporation (“MBC”), and MBC’s wholly-owned subsidiary, the NEA Professional Services Corporation; and an affiliated entity, National Education Employees Assistance Fund, Inc., (“NEEAF”). MBC serves as a contractor for NEA’s member benefits functions. NEEAF is combined with the accounts of NEA due to common control and an economic interest (Note 9). All intercompany accounts and transactions have been eliminated in consolidation.

*Basis of Accounting*—The accompanying statements are prepared on the accrual basis of accounting. To ensure observance of its bylaws, the resources of NEA are classified internally for accounting and reporting purposes into funds established according to their nature and purpose. The assets, liabilities, net assets, and changes in net assets are reported in the following two fund groups:

#### General Fund

- *General Operating Fund*—The bylaws of NEA provide that the General Operating Fund shall comprise all income received in the form of dues, interest, dividends, fees, earnings from advertising, sales of NEA publications, payments for services, and funds received by gift, bequest, devise, or transfer to NEA, which are not specifically designated for deposit in the Capital Improvement Fund.
- *Special Purpose Funds*—NEA has various Special Purpose Funds that consist of funds designated for specific projects and purposes. Special Purpose Funds include activities such as the UniServ Fund, National Education Employees Assistance Fund (Note 9), Special Dues Ballot Fund, Special Dues Media Fund, Great Public Schools Fund, NEA-Retired Program Fund, and the administration of various services such as insurance plans for members. These funds also include the activities of MBC, which provides support to the Member Benefits Programs, primarily in the areas of membership services, affiliate support, marketing, and training.

#### Capital Improvement Fund

- The bylaws of NEA provide that the Capital Improvement Fund shall comprise the properties and permanent investments of NEA and other funds or properties received by gift, devise, bequest, or transfer for deposit in the Fund. Disbursements from the Capital Improvement Fund to acquire new properties or to provide for major long-term improvements in existing properties shall be authorized by a two-thirds vote of the Board of Directors. Expenditures from this Fund for any other purpose shall be authorized by a two-thirds vote of the Representative Assembly.

*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

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

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and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**—Cash equivalents consist of interest-bearing deposits and securities with maturity of less than three months when purchased and are recorded at cost, which approximates fair value.

**Investments**—Investments consist of corporate, municipal and U.S. government bonds and common stock and are recorded at fair value, with any gains or losses reflected in the consolidated statements of activities and changes in net assets. Included in other income for the years ended August 31, 2008 and 2007, were net unrealized loss and gains of approximately \$1,269,922 and \$443,973, respectively.

**Property and Equipment**—Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives range from 2 to 15 years for furniture, fixtures, equipment, and software and 25 to 40 years for buildings and leasehold improvements. Depreciation expense was \$6,157,752 and \$5,581,889 for the years ended August 31, 2008 and 2007, respectively.

**Accrued Severance Pay**—NEA has a policy entitling employees with over 10 years of service to severance pay equal to 10 weeks of salary. NEA's accrued severance pay has been calculated to approximate Statement of Financial Accounting Standards No. 112, *Employers' Accounting for Post Retirement Benefits* ("SFAS No. 112"), issued by the Financial Accounting Standards Board.

**NEA-Retired Program ("NEA-Retired")**—NEA offers life membership through a Special Purpose Fund known as the NEA-Retired Program. NEA-Retired dues qualify retired members for certain services provided to active members, as well as services designed specifically for retired persons. NEA-Retired income is recorded as deferred income when received and amortized over the estimated life expectancy of its members.

**Membership Dues**—Membership dues are recognized as income over the membership year, which is September 1 through August 31. Dues are assessed to members as provided in the bylaws. An estimated provision for uncollectibles, write-offs, and cancellations is charged against membership dues revenues.

In accordance with the bylaws, a percentage of the membership dues is allocated to UniServ grants, which are included in NEA's program services expenses, whereby NEA provides grants to state affiliates to assist in funding their staff representatives, whose responsibilities are to implement, improve, and coordinate programs of NEA and the state affiliates.

**Program Revenue**—MBC's program revenues from suppliers represent fees from contracts with various program suppliers. Fees are recognized as revenue in the period in which they are earned.

**Reclassifications**—Certain amounts from the prior year have been reclassified to conform with the current year presentation.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

### 3. INVESTMENTS

Investments, at fair value, consist of the following at August 31:

	<b>2008</b>	<b>2007</b>
Common stock	\$ 8,585,126	\$ 9,875,810
Corporate bonds	3,498,571	2,503,821
U.S. government bonds	5,735,500	6,067,700
Total long-term bonds	9,234,071	8,571,521
Total investments	<u>\$ 17,819,197</u>	<u>\$ 18,447,331</u>

Common stock includes equity securities and proprietary funds purchased and held for sale in the near future during normal business activities. Investments in debt security, including corporate and foreign obligations and U.S. government bonds, are intended to be held to maturity for normally longer than a year.

### 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31:

	<b>2008</b>	<b>2007</b>
Land:		
NEA headquarters	\$ 1,753,777	\$ 1,753,777
MBC headquarters	837,002	837,002
Building and improvements:		
NEA headquarters	78,206,243	78,005,888
MBC headquarters	5,326,387	5,199,847
Furniture, fixtures, and equipment	13,401,592	12,644,149
Software development costs	38,018,353	36,388,005
	<u>137,543,354</u>	<u>134,828,668</u>
Less accumulated depreciation and amortization	<u>(84,445,936)</u>	<u>(78,669,807)</u>
Total property and equipment	<u>\$ 53,097,418</u>	<u>\$ 56,158,861</u>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

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### 5. MORTGAGE PAYABLE

**Special Purpose Fund**—A loan in the amount of \$3,000,000 and collateralized by NEA's Member Benefits Corporation's headquarters office building and personal property was entered into with a bank in July 1995. The note was amended and restated in December 2000 and bears interest at 8.50 % per annum.

Interest only on the unpaid principal was due and payable monthly commencing December 1, 2000. Commencing January 2, 2001, through and including December 1, 2007, principal and interest is due and payable in equal installments based on a 15-year amortization schedule. The entire unpaid principal, together with interest accrued and unpaid thereon, was paid in full on December 12, 2007.

**Capital Improvement Fund**—A mortgage loan with a 20-year maturity in the amount of \$52,000,000 was entered into with an insurance company in October 1991. The loan is evidenced by five notes, with varying maturity dates and interest rates. The interest rates of the mortgage notes range from 10.00% to 10.40%, which are collateralized by NEA's headquarters office building and personal property. The future maturities of the mortgage loans payable are as follows:

Year Ending August 31	Capital Improvement Fund
2009	\$ 5,028,860
2010	5,077,270
	<hr/>
Total mortgage payable	\$ 10,106,130
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The NEA is indebted to Prudential Insurance on certain loans that are collateralized by its headquarters building. NEA's management believes that the book value of these loans approximate fair value. The loans contain certain restrictive covenants including among other things restrictions on liquidity and debt subordination. As of August 31, 2008, NEA's management believes that NEA is in compliance with the terms of the restrictive covenants.

### 6. COMMITMENTS AND CONTINGENCIES

NEA and MBC lease office space and personal property at a number of locations under noncancelable operating leases expiring through 2011. Future minimum lease payments under these leases are as follows:

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

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### Year Ending August 31

2009	\$ 167,760
2010	37,315
2011	<u>20,432</u>
Total future minimum lease payments	<u>\$ 225,507</u>

Rental expense for all operating leases was approximately \$348,000 and \$345,000 during 2008 and 2007, respectively.

NEA has been named as a party in several legal matters, the outcome of which cannot presently be determined. Management believes that the aggregate net results of these claims will not have a material impact on NEA's consolidated financial position or changes in net assets and cash flows.

The Internal Revenue Service ("IRS") examined NEA's income tax returns for the years 2001 through 2003 and proposed adjustments for those years. NEA appealed the proposed adjustments and while it believes the related tax returns are in accordance with prevailing tax rulings it has established an adequate provision for any obligations that might arise from the unresolved issues.

### 7. BANK LINE OF CREDIT

NEA has two lines of credit from a commercial bank at an interest rate of LIBOR (London Interbank Offered Rate) plus 1.50%. At August 31, 2008, the prevailing rate was 3.97%. The amount available varies during the year with a maximum estimated usage of \$12,000,000 for the General Fund and \$12,500,000 for the Ballot/Media Fund. As of August 31, 2008, no borrowings were outstanding. As of August 31, 2007, \$1,300,000 was outstanding and was included in accounts payable and accrued liabilities of the consolidated statements of financial position. The line of credit will expire February 28, 2009.

### 8. RETIREMENT BENEFITS

**NEA – Defined Benefit Plan**—NEA participates in a multi employer, defined benefit retirement plan which is noncontributory for NEA employees and covers substantially all permanent employees. NEA employs approximately 43.1% of the employees covered under the plan; the remaining 56.9% are employees of participating state and local affiliates of NEA. NEA's policy is to fund retirement costs as accrued.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

NEA's retirement contribution expenses for the years ended August 31, 2008 and 2007, respectively, were \$16,388,204 and \$15,893,195. The accumulated plan benefits and plan net assets available for benefits as of the date of the latest actuarial valuation are presented below:

	2008	January 1, 2007
Actuarial present value of accumulated plan benefits:		
Total vested benefits	\$ 484,028,532	\$ 443,845,994
Total nonvested benefits	39,612,828	43,957,071
	<u>\$ 523,641,360</u>	<u>\$ 487,803,065</u>
Total accumulated plan benefits		
	<u>\$ 573,387,625</u>	<u>\$ 536,065,257</u>
Net assets available for benefits		

The increase in the actuarial present value of accumulated plan benefits reflects interest earned on benefits.

The actuarial present value of accumulated plan benefits ignores the effects of future compensation increases on the benefits that participants will receive for their past service. If this value were adjusted for projected salary increases, consistent with the assumed rate of return, the projected benefits obligation would be \$576,035,255 and \$538,329,215 as of January 1, 2008 and 2007, respectively. The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.75% for 2008 and 2007. As of August 31, 2008 and 2007, the net assets available for benefits were approximately \$519,369,217 and \$567,644,895, respectively.

**NEA – 401(k) Retirement Savings Plan**—NEA's employees are also eligible to participate in the 401(k) Retirement Savings Plan of the National Education Association (the "Plan") in which the employee can make voluntary, tax-deferred contributions within specified limits. The Plan was established under the provisions of Internal Revenue Code Subsection 401(k) and has received a favorable determination as to its tax status. NEA's contributions to the Plan, based on a set percentage of employee contributions, amounted to \$4,076,091 and \$4,045,079 for the years ended August 31, 2008 and 2007, respectively.

**NEA – Postretirement Benefit Plan**—In addition to providing pension benefits, NEA provides certain healthcare and life insurance benefits to retirees. Prior to March 1, 2000, NEA provided these benefits under a single employer defined postretirement plan.

Effective March 1, 2000, NEA established and adopted the National Education Association and Affiliate Retiree Health Plan (the "Plan") and Trust (the "Trust") for the purpose of providing certain healthcare and life insurance benefits to eligible and retired employees of NEA and to participating affiliates. The plan is a multiemployer postretirement benefits plan. The Internal Revenue Service has approved the Plan and the Trust.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

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As a result of the adoption of the multiemployer plan, the Trust assumed the responsibility for the payment of benefits and all future obligations under the Plan. NEA's liability under the single employer plan as of March 1, 2000, which amounted to \$29,427,901 was recognized as a nonoperating charge in NEA's consolidated statement of activities and changes in net assets. As of August 31, 2008 and 2007, NEA net assets of \$21,583,763 and \$10,643,076, respectively were designated for postretirement benefit obligation.

Postretirement benefit expense under the multiemployer plan was \$7,181,644 and \$5,227,495 for the years ended August 31, 2008 and 2007, respectively.

A discount rate of 7.75% was used to determine the postretirement benefit expense for the years ended August 31, 2008 and 2007.

***MBC - 401(k) Salary Deferral Plan***—NEA's Member Benefits Corporation ("MBC") maintains a Section 401(k) cash or deferred plan in which the employees can make voluntary, tax-deferred contributions within specific limits. The plan was established under the provision of the Internal Revenue Code Subsection 401(k), and has received a favorable determination as to its tax status. MBC's contributions to the Plan, based upon a set percentage of employee contributions, amounted to \$219,616 and \$214,185, for the years ended August 31, 2008 and 2007, respectively.

***MBC - Defined Contribution Plan***—MBC maintains a Defined Contribution Plan and Trust, which is noncontributory for MBC's employees, and covers substantially all members covered by MBC's Collective Bargaining Agreement. MBC contributes to the Plan a percentage of compensation as set forth in a collective bargaining agreement with NEA's Staff Organization ("NEASO"). MBC's contributions to the Plan during the years ended August 31, 2008 and 2007 were \$393,406 and \$387,383, respectively.

***MBC - Defined Benefit Plan***—MBC maintains a noncontributory defined benefit pension plan covering substantially all employees not covered by a collective bargaining agreement. MBC has an August 31 measurement date for its pension plan.

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 158 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statements No. 87, 88, 106, and 132R. Statement No. 158 requires an employer to recognize the over funded or under funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its consolidated Balance Sheet and to recognize changes in that funded status in the year in which the changes occur through the consolidated Statement of Operations. Statement No. 158 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The effective date of the recognition and disclosure provisions for non-public companies is for fiscal year ending after June 15, 2007.

For MBC's Defined Benefit Pension Plan, the incremental effect of apply SFAS No. 158 in 2007 is shown below:

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

	Pre-SFAS No. 158	Adoption Adjustment	Post-SFAS No. 158
Pension Asset	\$ 3,290,968	\$ (2,477,922)	\$ 813,046
Deferred Tax Asset – nonconcurrent	(1,237,957)	932,115	(305,842)
Accumulated other comprehensive loss, Net of tax	-	\$ (1,545,807)	\$ (1,545,807)

Changes in the projected benefit obligations and plan assets and the funded status of the plans follow:

	<b>2008</b>	<b>2007</b>
<b>Change in Benefit Obligation</b>		
Benefit obligation at beginning of year	\$ 5,526,667	\$ 4,196,520
Service cost	834,813	516,992
Interest cost	358,982	251,548
Actuarial loss (gain)	1,078,415	567,969
Benefit paid	(16,757)	(6,362)
Benefit obligation at end of year	<u>7,782,120</u>	<u>5,526,667</u>
<b>Change in Plan Assets</b>		
Fair value of plan assets at beginning of year	6,339,712	5,308,273
Actual return on plan assets	(722,843)	617,192
Employer contributions prior to measurement date	5,750,021	420,609
Benefits paid	(16,757)	(6,362)
Fair value of plan assets at end of year	<u>11,350,133</u>	<u>6,339,712</u>
<b>Funded status</b>	<b><u>\$ 3,568,013</u></b>	<b><u>\$ 813,045</u></b>
<b>Amounts Recognized in Accumulated Other Comprehensive Income consist of</b>		
Net actuarial loss (gain)	\$ 3,390,225	\$ 907,512
Prior service cost (credit)	1,337,215	1,570,410
Unrecognized net initial obligation (asset)	-	-
Total (before tax effects)	<u>\$ 4,727,440</u>	<u>2,477,922</u>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

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The accumulated benefit obligation is \$5,880,954 and \$4,026,415, at August, 2008 and 2007, respectively.

### Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income

	2008	2007
<b>Net periodic benefit cost</b>		
Service cost	\$ 834,813	\$ 516,992
Interest cost	358,982	251,548
Expected return on plan assets	(715,520)	(424,337)
Recognized prior service cost (credit)	233,195	233,195
Recognized actuarial (gain) loss	34,065	198
Net periodic benefit cost	<u>\$ 745,535</u>	<u>\$ 577,596</u>

### Amounts Expected to be Recognized in Net Periodic Cost in the Coming Year

(Gain)/Loss recognition	\$ 293,266
Prior service cost recognition	\$ 233,195

Actuarial assumptions used to determine net periodic benefit cost for the years beginning September 1, 2007 and 2006 were as follows:

	2007	2006
Discount rate	6.50%	6.00%
Rate of salary increases	4.50%	4.50%
Expected long-term rate of return on assets	8.00%	8.00%

MBC determines the long-term expected rate of return on plan assets by examining historic capital market returns, correlations between asset classes and the Plan's normal asset allocation. Current and near-term market factors such as inflation and interest rates are then evaluated to arrive at the expected return on Plan assets. Peer group, or benchmarking data are also reviewed to ensure a reasonable and appropriate return assumption.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

Pension plan asset allocations at August 31 by asset category were as follows:

	<b>2008</b>	<b>2007</b>
Asset category:		
Equities	54%	64%
Fixed income securities	21%	27%
Cash equivalents	<u>25%</u>	<u>9%</u>
Total	<u>100%</u>	<u>100%</u>

Contributions to the plan were made on August 28, 2008, October 10, 2007, and August 30, 2007. Therefore, the asset allocations reflected above indicate a higher allocation in cash equivalents at August 31 than typically exists throughout the year due to the fact that the contributions have not yet been invested in securities at fiscal year-end.

Expected long-term rate of return and projected asset allocation are as follows:

	<u>Expected Rate of Return</u>	<u>Expected Net Rate of Return</u>
Asset category:		
Equities	9.80 %	6.37 %
Fixed income securities	5.30 %	1.68 %
Cash Equivalents	3.50 %	<u>0.00 %</u>
		<u>8.05 %</u>
		<u>8.05 %</u>
	<u>Guideline Allocation</u>	<u>Permissible Range</u>
Asset category:		
Equities	65.00 %	Up to 65%
Fixed income securities	35.00 %	Not less than 35%

MBC utilizes a total return investment approach based on modern portfolio theory. Multiple asset classes are implemented in order to obtain the benefits of diversification and maximize long-term total return for a given level of risk. Risk tolerance is developed by reviewing the funded status of the plan, duration of the plan liabilities, the income and liquidity requirements, legal constraints and the financial condition of MBC. The investment portfolio is comprised of a diversified combination of equities, fixed income securities and cash equivalents. MBC's investment policy states that equities normally comprise up to 65% of total assets, fixed income securities not less than 35% and cash equivalents a nominal amount. The allocation among equities and fixed income securities is determined by prevailing market conditions and relative valuations between asset classes. The Plan's financial condition is monitored on an on-going basis by means of quarterly investment portfolio reviews, an annual independent actuarial valuation and periodic asset/liability studies.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

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For fiscal year 2007, MBC made an additional contribution to the plan subsequent to August 31, 2007, to achieve the maximum deductible contribution as determined by the January 31, 2007, valuation.

For fiscal year 2009, MBC expects to contribute the maximum deductible amount to its pension plan as determined by the January 1, 2009, actuarial valuation.

Benefit payments expected to be paid over the next five years and accumulated over the five years thereafter are as follows:

### Year Ending August 31

2009	\$ 61,633
2010	\$ 115,276
2011	\$ 183,383
2012	\$ 269,580
2013	\$ 355,179
2014-2018	\$ 3,004,422

**MBC – Deferred Retirement Benefit**—MBC has recognized a noncurrent liability representing a deferred retirement benefit for a former officer that was due in 2007 and will be paid over a five-year period ending April 2012.

## 9. NATIONAL EDUCATION EMPLOYEES ASSISTANCE FUND, INC.

The National Education Employees Assistance Fund, Inc. (“NEEAF”) is a nonprofit corporation established for the purpose of providing financial and other assistance to member organizations and their individual members involved in disputes over terms and conditions of employment. In this capacity, NEEAF, from time to time, has guaranteed loans made by lending institutions to members who were involved in such disputes. These loans are collateralized by letters of credit from those state affiliates that are members of NEEAF and by NEA’s line of credit in the amount of approximately \$7,025,000. In the event of default on a loan, the bylaws of NEEAF provide that the bank shall first draw upon the letter of credit of the state affiliate from which the funds were transmitted and, thereafter, proportionately from all other letters of credit and/or lines of credit.

As of August 31, 2008 and 2007, NEA was contingently liable in the event of default for \$16,530 and \$46,332, respectively.

## 10. THE NEA FOUNDATION FOR THE IMPROVEMENT OF EDUCATION

The NEA Foundation for the Improvement of Education (“NFIE”) was created in 1969 by NEA as a tax-exempt public charity to improve the quality of public education in the United States. The NFIE has a separate Board of Directors and operates independently of NEA. Accordingly, the accompanying financial statements do not include the activities of NFIE.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

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The NFIE empowers public education employees to innovate, take risks, and become agents for change to improve teaching and learning in our society.

During the years ended August 31, 2008 and 2007, payments totaling \$2,135,360 and \$2,101,605, respectively, were made to NFIE for an endowment that will help fund programs to meet critical needs of students and education employees in years to come. Such amounts are reflected as reductions in “NEA Programs—Dues” (see page 3) in the Consolidated Statements of Activities and Changes in Net Assets for the years ended August 31, 2008 and 2007.

### 11. NEA HEALTH INFORMATION NETWORK

The NEA Health Information Network (“NEA-HIN”), a legally separate 501 (c)(3) not-for-profit organization, was created in 1987 to provide a link between the education and health professions to assure that public school employees and their students have the knowledge and skills necessary to make decisions that enhance the quality of their lives, improve the environment in which they work and learn, and build relationships within the communities they serve.

NEA-HIN manages and implements programs that provide training, technical assistance, information, and referrals for NEA members and staff on a variety of health and safety issues affecting school employees and students. NEA-HIN secures funds from public and private sources to implement these programs.

NEA-HIN establishes collaborative partnerships with other public and private entities to enhance the content and scope of its activities and to bring the education employee/student perspective into the planning and development process of relevant health initiatives at the national, state, and local levels.

NEA’s appropriations for NEA-HIN for each of the years ended August 31, 2008 and 2007, were \$650,000.

### 12. NEA MEMBERS INSURANCE TRUST

The National Education Association Members Insurance Trust (“NEA-MIT”) was organized to provide certain employee welfare benefits to NEA members and their dependents, pursuant to the NEA Members Insurance Plan.

NEA is the sponsor and administrator of the welfare plans that NEA-MIT provides. NEA may appoint and remove the trustees of NEA-MIT. NEA-MIT maintains an agreement with MBC to provide administrative and promotional services for the programs.

NEA and NEA-MIT have an agreement whereby NEA provides systems administration, maintenance, and software development to NEA-MIT. NEA also provides facilities management for this system.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

### 13. INCOME TAXES

Under provisions of Section 501(c) of the Internal Revenue Code and the applicable income tax regulations of the District of Columbia, NEA is exempt from taxes on income, other than taxes on unrelated business income.

MBC follows the liability method of accounting for income taxes as required by Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, (“SFAS No. 109”), issued by the Financial Accounting Standards Board. Income tax expense is recognized based on the amount of income taxes currently payable or refundable plus the net change during the year in the deferred tax liability or asset. The current or deferred tax consequences of all events that have been recognized in the financial statements are measured based on provisions of enacted tax law.

Included in MBC’s support services in the statement of activities and changes in net assets is an income tax provision of \$1,764,570 and \$3,523,000 for the years ended August 31, 2008 and 2007, respectively. The provision for Federal and state income taxes consists of the following:

	<b>2008</b>	<b>2007</b>
Current provision:		
Federal	\$ 827,740	\$ 2,664,900
State	92,700	331,600
	<u>920,440</u>	<u>2,996,500</u>
Deferred provision:		
Federal	751,720	508,900
State	92,410	17,600
	<u>844,130</u>	<u>526,500</u>
Total	<u>\$ 1,764,570</u>	<u>\$ 3,523,000</u>

A reconciliation of income taxes at the statutory rate to the provision for income taxes in the financial statements is as follows:

	<b>2008</b>	<b>2007</b>
Federal income tax provision at the statutory rate	\$ 1,554,700	\$ 3,235,300
State income tax expense, net of federal benefit	122,175	230,500
Other	87,695	57,200
	<u>1,764,570</u>	<u>3,523,000</u>
Total	<u>\$ 1,764,570</u>	<u>\$ 3,523,000</u>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

At August 31, 2008 and 2007, the deferred tax assets and liabilities represent the tax effects of the following temporary differences:

	<b>2008</b>	<b>2007</b>
Assets:		
Deferred Income	\$ 739,060	\$ 837,400
Accrued vacation	257,280	233,300
Other	155,880	139,900
	<u>1,152,220</u>	<u>1,210,600</u>
Liabilities:		
Pension costs	(1,346,105)	(1,415,600)
Other	(38,820)	(35,000)
	<u>(1,384,925)</u>	<u>(1,450,600)</u>
Total	<u>\$ (232,705)</u>	<u>\$ (240,000)</u>

Amounts recognized in the consolidated statements of financial position at August 31:

	<b>2008</b>	<b>2007</b>
Current deferred tax asset	\$ 264,800	\$ 262,600
Current deferred tax liability	(38,820)	(35,000)
	<u>225,980</u>	<u>227,600</u>
Noncurrent deferred tax asset	887,420	948,000
Noncurrent deferred tax liability	(1,346,105)	(1,415,600)
	<u>(458,685)</u>	<u>(467,600)</u>
Total	<u>\$ (232,705)</u>	<u>\$ (240,000)</u>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

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### 14. OTHER NON-OPERATING EXPENSE

The tax effects allocated to each component of Other Non-Operating Expense for the year ended August 31, 2008 are:

	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-tax Amount
Defined Benefit Pension Plan: Net Loss Arising During Period	\$ (2,516,778)	\$ 952,558	\$ (1,564,220)
Less: Amortization of Loss Included In Net Periodic Pension Cost	34,065	(12,893)	21,172
Less: Amortization of Prior Service Cost Included in Net Periodic Pension Cost	<u>233,195</u>	<u>(88,260)</u>	<u>144,935</u>
Other Non-Operating Expense	<u>\$ (2,249,518)</u>	<u>\$ 851,405</u>	<u>\$ (1,398,113)</u>

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION BY FUND INFORMATION AUGUST 31, 2008 (WITH COMPARATIVE TOTALS AS OF AUGUST 31, 2007)

	General Operating Fund	Special Purpose Funds	Capital Improvement Fund	Consolidating Entries	2008 Total Funds	2007 Total Funds
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 43,162,061	\$ 28,443,954	\$ -	\$ -	\$ 71,606,015	\$ 60,171,520
Investments	-	8,585,126	-	-	8,585,126	9,875,810
Membership dues and notes receivable	52,364,599	-	-	-	52,364,599	46,970,376
Amount due from affiliates and other organizations	1,748,898	-	-	(464,558)	1,284,340	1,437,197
Publication and advertising receivables	180,990	-	-	-	180,990	154,109
Accounts receivable	-	7,385,688	-	-	7,385,688	8,147,158
Prepaid expenses	2,023,435	769,838	-	-	2,793,273	3,646,050
Pension asset	-	-	-	-	-	-
Amount due from general fund	-	5,796,284	529,591	(6,325,875)	-	-
Deferred income tax - current portion	-	225,980	-	-	225,980	227,600
Other current assets	1,354,230	-	-	-	1,354,230	1,570,980
Total current assets	<u>100,834,213</u>	<u>51,206,870</u>	<u>529,591</u>	<u>(6,790,433)</u>	<u>145,780,241</u>	<u>132,200,800</u>
<b>LONG-TERM ASSETS:</b>						
Investments	-	9,234,071	-	-	9,234,071	8,571,521
Prepaid pension costs	-	3,568,013	-	-	3,568,013	813,046
Property and equipment - net	8,073,383	5,170,494	39,853,541	-	53,097,418	56,158,861
Total long-term assets	<u>8,073,383</u>	<u>17,972,578</u>	<u>39,853,541</u>	<u>-</u>	<u>65,899,502</u>	<u>65,543,428</u>
<b>TOTAL ASSETS</b>	<u>\$ 108,907,596</u>	<u>\$ 69,179,448</u>	<u>\$ 40,383,132</u>	<u>\$ (6,790,433)</u>	<u>\$ 211,679,743</u>	<u>\$ 197,744,228</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES:</b>						
Mortgage loan payable - current portion	\$ -	\$ -	\$ 5,028,860	\$ -	\$ 5,028,860	\$ 6,492,275
Accounts payable and accrued liabilities	23,741,551	5,657,218	-	(464,558)	28,934,211	26,899,037
Accrued annual leave and fringe benefits	6,855,337	-	-	-	6,855,337	7,358,706
Amount due to other funds	6,325,875	-	-	(6,325,875)	-	-
Amount held for affiliates and other organizations	704,083	-	-	-	704,083	513,673
Total current liabilities	<u>37,626,846</u>	<u>5,657,218</u>	<u>5,028,860</u>	<u>(6,790,433)</u>	<u>41,522,491</u>	<u>41,263,692</u>
<b>LONG-TERM LIABILITIES:</b>						
Mortgage loan payable - long-term portion	-	-	5,077,270	-	5,077,270	10,106,130
Accrued severance pay	5,950,163	-	-	-	5,950,163	5,516,944
Deferred retirement benefit	-	203,420	-	-	203,420	266,383
Deferred income	-	15,456,190	-	-	15,456,190	15,193,840
Deferred income taxes	-	458,685	-	-	458,685	467,600
Total long-term liabilities	<u>5,950,163</u>	<u>16,118,295</u>	<u>5,077,270</u>	<u>-</u>	<u>27,145,728</u>	<u>31,550,896</u>
Total liabilities	<u>43,577,009</u>	<u>21,775,513</u>	<u>10,106,130</u>	<u>(6,790,433)</u>	<u>68,668,219</u>	<u>72,814,588</u>
<b>UNRESTRICTED NET ASSETS:</b>						
Undesignated net assets	43,746,824	47,403,935	30,277,002	-	121,427,761	114,286,564
Net assets designated for postretirement benefits	21,583,763	-	-	-	21,583,763	10,643,076
Total unrestricted net assets	<u>65,330,587</u>	<u>47,403,935</u>	<u>30,277,002</u>	<u>-</u>	<u>143,011,524</u>	<u>124,929,640</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 108,907,596</u>	<u>\$ 69,179,448</u>	<u>\$ 40,383,132</u>	<u>\$ (6,790,433)</u>	<u>\$ 211,679,743</u>	<u>\$ 197,744,228</u>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## GENERAL OPERATING FUND – SUPPLEMENTAL STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED AUGUST 31, 2008

	Budget (Unaudited)	Actual
<b>UNRESTRICTED REVENUES</b>		
Membership Income	\$ 331,380,533	\$ 336,365,486
Other Income	820,000	1,139,519
NFIE Endowment Allocation	(2,117,800)	(2,119,314)
<b>TOTAL UNRESTRICTED REVENUES</b>	<b>330,082,733</b>	<b>335,385,691</b>
<b>UNRESTRICTED EXPENSES BY STRATEGIC GOALS AND OPERATIONAL SERVICES AREAS</b>		
<b>Policy and funding for closing the achievement gaps</b>		
1. Assist affiliates in developing policies and programs to close achievement gaps	6,936,912	4,889,689
2. Development of policies and site-based programs to close achievement gaps	4,982,276	4,334,685
3. Partner with affiliates and other organizations to develop policies and programs to close achievement gaps	4,582,315	4,260,670
Total policy and funding for closing the achievement gaps	16,501,503	13,485,044
<b>Increased positive image and support from the ethnic-minority communities</b>		
1. Benchmark the opinions of ethnic-minority community organizations and leaders about NEA and related issues	541,420	256,332
2. Develop relevant content on effective practices and policies for safe schools as it relates to ethnic-minority students, and for teacher certification and licensure assistance	2,061,740	1,570,379
3. Strengthen relationships with current partners representing ethnic-minority communities and create partnerships with key ethnic-minority groups in their communities	3,220,466	2,524,030
4. Work with ethnic-minority communities on mutual national legislative goals	45,850	35
Total increased positive image and support from the ethnic-minority communities	5,869,476	4,350,776
<b>Improved education employees' salaries</b>		
1. Provide information to affiliates on school employee pay, and provide affiliates with relevant strategies to enhance salaries	1,550,930	1,818,763
2. Partner with affiliates and outside organizations to improve the level of pay for school employees	2,624,626	904,684
3. Advocate for professional level pay for all members	343,727	27,100
4. Provide training to affiliate staff and leaders to engage in effective salary campaigns	737,061	299,620
Total improved education employees' salaries	5,256,344	3,050,167
<b>Membership growth and affiliate development</b>		
1. Develop and implement a variety of vehicles to create an active and engaged membership	1,349,053	310,196
2. Provide technical and financial support to affiliates to develop comprehensive membership recruitment programs	9,966,191	11,172,737
3. Provide support through a wide variety of products and services to enhance member recruitment and retention	3,286,702	1,563,063
Total membership growth and affiliate development	14,601,946	13,045,996
<b>Tax and economic policies and school funding ("TEF")</b>		
1. Provide research, data, and technical and strategic support to address TEF issues in states	2,442,950	2,260,704
2. Build partnerships and recruit corporate leaders to become TEF spokespeople	977,635	297,051
3. Develop model legislation around TEF and provide support to affiliates to introduce such legislation	375,509	312,085
4. Provide TEF briefings, training to state leaders and staff, and support for organizational development	2,356,819	51,266
Total tax and economic policies and school funding	6,152,913	2,921,106

(Continued)

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## GENERAL OPERATING FUND – SUPPLEMENTAL STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED AUGUST 31, 2008

	Budget (Unaudited)	Actual
<b>Affiliate programs and services</b>		
1. Support state affiliates in development of comprehensive results-oriented plans that integrate state affiliates' and NEA priorities	5,604,132	10,239,507
2. Coordinated project funding linked to states' comprehensive plans	72,729,219	71,888,963
3. Provide constituency group assistance	2,133,185	3,112,268
4. Provide technical expertise to further strategic partnerships with affiliates	10,281,790	8,522,360
	<u>90,748,326</u>	<u>93,763,098</u>
Total affiliate programs and services		
<b>Economic, legal, political, and professional advocacy</b>		
1. Federal and state legislative advocacy and analysis	32,349,106	38,432,537
2. Provide programs to combat the privatization of ESP jobs	284,090	146,452
3. Partnerships with other organizations and federal, state, and local policy makers to support quality teaching and learning	2,110,329	2,005,072
4. Advocate for job rights, professional liability protection, and negotiated rights for all members	43,436,450	40,088,667
5. Provide support related to the concerns of minorities and women in teaching and provide strategies and training regarding human and civil rights issues	1,418,376	1,638,496
	<u>79,598,351</u>	<u>82,311,224</u>
Total economic, legal, political, and professional advocacy		
<b>Communications with leaders, staff, members and the general public</b>		
1. Communicate with members and other education employees via NEA Today and the Retired, Higher Education, and Student publications	10,074,747	10,380,637
2. Engage a greater number of members, potential members, and the general public through NEA.org	2,670,232	1,743,165
3. Internal and external messaging and branding	11,250,917	14,230,252
4. Promote products and programs for community and member outreach	2,413,736	2,648,720
	<u>26,409,632</u>	<u>29,002,774</u>
Total communications with leaders, staff, members and the general public		
<b>Governance and leadership development</b>		
1. Governance capacity building, engagement and leadership development	10,073,067	12,005,549
2. Provide support to governance and NEA policy-making process	4,681,013	5,217,116
3. Provide support to conduct the annual meeting and representative assembly	4,433,245	5,605,681
4. Engage in cooperative international partnerships	3,944,818	4,513,573
5. Coordinate and advance NEA interests through outreach, coordination, and collaboration with other labor organizations	403,671	357,511
	<u>23,535,814</u>	<u>27,699,430</u>
Total governance and leadership development		
<b>Business operations that ensure organizational effectiveness</b>		
1. Provide technologies for strategic, tactical, and operational planning and to conduct day-to-day operations	19,431,088	21,063,665
2. Provide business systems, legal and financial expertise to NEA and affiliates	22,502,425	20,964,769
3. Provide facilities services and logistical support for a productive, safe, and well-maintained environment	11,943,181	11,529,796
4. Support and sustain NEA as a healthy, thriving, high-performance organization	5,583,322	7,285,629
5. Create and implement a business model and structure to evaluate and manage all non-dues revenue and online professional development programs	1,806,778	2,030,359
	<u>61,266,794</u>	<u>62,874,218</u>
Total business operations		
<b>TOTAL UNRESTRICTED EXPENSES BY STRATEGIC GOALS AND OPERATIONAL SERVICES AREAS</b>	<u>\$ 329,941,099</u>	<u>\$ 332,503,833</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ 141,634</u>	<u>\$ 2,881,858</u>
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>		<b>67,681,894</b>
<b>RECLASSIFIED NEAMB NET ASSETS</b>		<u>(5,233,165)</u>
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>		<u>\$ 65,330,587</u>

(Concluded)

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## GENERAL OPERATING FUND – SUPPLEMENTAL SCHEDULE OF EXPENSES BY TYPE YEARS ENDED AUGUST 31, 2008 AND 2007

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	<b>2008</b>	<b>2007</b>
Salaries and benefits	\$ 104,210,733	\$ 100,244,912
Grants to, and joint projects with, state and local associations	94,080,811	87,505,249
Kate Frank/DuShane Unified Legal Services Program	21,598,462	21,111,012
Travel	20,178,226	19,899,845
Publication costs, net of advertising income	4,719,632	4,980,431
Outside services (including Educators Employment Liability Insurance, Media Program, consultants, legal and printing)	37,782,316	33,930,916
Conference & Meetings	8,595,813	6,851,408
Machinery rentals, repairs, materials and supplies	4,690,901	5,542,218
Office	10,978,099	9,908,944
Administrative	25,668,840	21,000,403
<b>TOTAL EXPENSES BY TYPE</b>	<b>\$ 332,503,833</b>	<b>\$ 310,975,338</b>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SPECIAL PURPOSE FUNDS – SUPPLEMENTAL STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED AUGUST 31, 2008 AND 2007

	UniServ Fund	Member Benefits Program	National Education Employees Assistance Fund	Special Dues Ballot Fund	Special Dues Media Fund	Great Public Schools Fund	NEA- Retired Program Fund	Totals
NET ASSETS -								
September 1, 2006	\$ 588,636	\$ 20,689,693	\$ 52,702	\$ 241,270	\$ 1,404,217	\$ 1,230,960	\$ 4,430,761	\$ 28,638,239
Revenues:								
NEA Appropriation	61,080,669	-	32,550	9,884,161	7,208,968	5,738,343	798,188	84,742,879
MBC Program revenue	-	64,760,085	-	-	-	-	-	64,760,085
Other	-	-	74	-	-	-	2,546,997	2,547,071
Expenses	(61,052,614)	(58,767,401)	(37,375)	(9,953,970)	(5,109,871)	(6,953,164)	(1,609,612)	(143,484,007)
Cumulative effect of adoption of recognition and measurement date provisions of FASB statement No. 158	-	(1,545,807)	-	-	-	-	-	(1,545,807)
NET ASSETS -								
August 31, 2007	616,691	25,136,570	47,951	171,461	3,503,314	16,139	6,166,334	35,658,460
Revenues:								
NEA Appropriation	64,061,592	-	32,550	13,651,867	9,897,017	-	835,269	88,478,295
MBC Program revenue	-	58,652,682	-	-	-	-	-	58,652,682
Other	-	-	50	10,410	44,671	-	146,450	201,581
Expenses	(64,031,502)	(55,844,536)	(13,564)	(6,767,466)	(5,486,135)	-	(2,045,767)	(134,188,970)
Change in actuarial loss from Defined Benefit Pension Plan	-	(1,398,113)	-	-	-	-	-	(1,398,113)
NET ASSETS -								
August 31, 2008	\$ 646,781	\$ 26,546,603	\$ 66,987	\$ 7,066,272	\$ 7,958,867	\$ 16,139	\$ 5,102,286	\$ 47,403,935

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## CAPITAL IMPROVEMENT FUNDS – SUPPLEMENTAL STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED AUGUST 31, 2008 AND 2007

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NET ASSETS, September 1, 2006	\$	24,440,954
Appropriation from General Fund		6,000,000
Depreciation expense		(1,827,256)
Interest expense		<u>(1,791,247)</u>
NET ASSETS, August 31, 2007		26,822,451
Appropriation from General Fund		6,408,164
Depreciation expense		(1,647,152)
Interest expense		<u>(1,306,461)</u>
NET ASSETS, August 31, 2008	\$	<u>30,277,002</u>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>STRATEGIC GOALS AND OPERATIONAL SERVICE AREAS</b>			
<b>Policy and funding for closing the achievement gaps</b>			
1. Assist affiliates in developing policies and programs to close achievement gaps	\$ 2,375,312	\$ 2,514,377	\$ 4,889,689
2. Development of policies and site-based programs to close achievement gaps	3,204,863	1,129,822	4,334,685
3. Partner with affiliates and other organizations to develop policies and programs to close achievement gaps	<u>2,362,230</u>	<u>1,898,440</u>	<u>4,260,670</u>
Total policy and funding for closing the achievement gaps	<u>7,942,405</u>	<u>5,542,639</u>	<u>13,485,044</u>
<b>Increased positive image and support from the ethnic-minority community</b>			
1. Benchmark the opinions of ethnic-minority community organizations and leaders about NEA and related issues	-	256,332	256,332
2. Develop relevant content on effective practices and policies for safe schools as it relates to ethnic-minority students, and for teacher certification and licensure assistance	896,728	673,651	1,570,379
3. Strengthen relationships with current partners representing ethnic-minority communities and create partnerships with key ethnic-minority groups in their communities	-	2,524,030	2,524,030
4. Work with ethnic-minority communities on mutual national legislative goals	<u>-</u>	<u>35</u>	<u>35</u>
Total increased positive image and support from the ethnic-minority community	<u>896,728</u>	<u>3,454,048</u>	<u>4,350,776</u>
<b>Improved education employees' salaries</b>			
1. Provide information to affiliates on school employee pay, and provide affiliates with relevant strategies to enhance salaries	1,656,302	162,461	1,818,763
2. Partner with affiliates and outside organizations to improve the level of pay for school employees	682,535	222,149	904,684
3. Advocate for professional level pay for all members	-	27,100	27,100
4. Provide training to affiliate staff and leaders to engage in effective salary campaigns	<u>299,620</u>	<u>-</u>	<u>299,620</u>
Total improved education employees' salaries	<u>2,638,457</u>	<u>411,710</u>	<u>3,050,167</u>
<b>Membership growth and affiliate development</b>			
1. Develop and implement a variety of vehicles to create an active and engaged membership	-	310,196	310,196
2. Provide technical and financial support to affiliates to develop comprehensive membership recruitment programs	54,867	11,117,870	11,172,737
3. Provide support through a wide variety of products and services to enhance member recruitment and retention	<u>229,156</u>	<u>1,333,907</u>	<u>1,563,063</u>
Total membership growth and affiliate development	<u>284,023</u>	<u>12,761,973</u>	<u>13,045,996</u>

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>Tax and economic policies and school funding ("TEF")</b>			
1. Provide research, data, and technical and strategic support to address TEF issues in states	755	2,259,949	2,260,704
2. Build partnerships and recruit corporate leaders to become TEF spokespeople	-	297,051	297,051
3. Develop model legislation around TEF and provide support to affiliate to introduce such legislation	-	312,085	312,085
4. Provide TEF briefings, training to state leaders and staff, and support for organizational development	34,863	16,403	51,266
Total tax and economic policies and school funding	<u>35,618</u>	<u>2,885,488</u>	<u>2,921,106</u>
<b>Affiliate programs and services</b>			
1. Support state affiliates in development of comprehensive results-oriented plans that integrate state affiliates' and NEA priorities	7,168,353	3,071,154	10,239,507
2. Coordinated project funding linked to states' comprehensive plan	60,124,219	11,764,744	71,888,963
3. Provide constituency group assistance	989,400	2,122,868	3,112,268
4. Provide technical expertise to further strategic partnerships with affiliates	7,109,689	1,412,671	8,522,360
Total affiliate programs and services	<u>75,391,661</u>	<u>18,371,437</u>	<u>93,763,098</u>
<b>Economic, legal, political, and professional advocacy</b>			
1. Federal and state legislative advocacy and analysis	417,432	38,015,105	38,432,537
2. Provide programs to reverse or beat the privatization of ESP jobs	146,452	-	146,452
3. Partnerships with other organizations and federal, state, and local policy makers to support quality teaching and learning	870,486	1,134,586	2,005,072
4. Advocate for job rights, professional liability protection, and negotiated rights for all members	25,779,179	14,309,488	40,088,667
5. Provide support related to the concerns of minorities and women in teaching and provide strategies and training regarding human and civil rights issues	1,623,127	15,369	1,638,496
Total economic, legal, political, and professional advocacy	<u>28,836,676</u>	<u>53,474,548</u>	<u>82,311,224</u>

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>Communications with leaders, staff, members and the general public</b>			
1. Communicate with members and other education employees via NEA Today and the Retired, Higher Education, and Student publications	963,039	9,417,598	10,380,637
2. Engage a greater number of members, potential members, and the general public through NEA.org	835,215	907,950	1,743,165
3. Internal and external messaging and branding	857,262	13,372,990	14,230,252
4. Promote products and programs for community and member outreach	-	2,648,720	2,648,720
Total communications with leaders, staff, members and the general public	<u>2,655,516</u>	<u>26,347,258</u>	<u>29,002,774</u>
<b>Governance and leadership development</b>			
1. Governance capacity building, engagement and leadership development	9,556,057	2,449,492	12,005,549
2. Provide support to governance and NEA policy-making process	2,541,607	2,675,509	5,217,116
3. Provide support to conduct the annual meeting and representative assembly	5,605,681	-	5,605,681
4. Engage in cooperative international partnerships	-	4,513,573	4,513,573
5. Coordinate and advance NEA interests through outreach, coordination, and collaboration with other labor organizations	-	357,511	357,511
Total governance and leadership development	<u>17,703,345</u>	<u>9,996,085</u>	<u>27,699,430</u>
<b>Business operations that ensure organizational effectiveness</b>			
1. Provide technologies for strategic, tactical, and operational planning and to conduct day-to-day operations	10,150,580	10,913,085	21,063,665
2. Provide business systems, legal and financial expertise to NEA and affiliates	14,448,894	6,515,875	20,964,769
3. Provide facility services and logistical support for a productive, safe, and well-maintained environment	11,529,796	-	11,529,796
4. Support and sustain NEA as a healthy, thriving, high-performance organization	7,285,629	-	7,285,629
5. Create and implement a business model and structure to evaluate and manage all non-dues revenue and online professional development programs	35,036	1,995,323	2,030,359
Total business operations that ensure organizational effectiveness	<u>43,449,935</u>	<u>19,424,283</u>	<u>62,874,218</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 179,834,364</u></b>	<b><u>\$ 152,669,469</u></b>	<b><u>\$ 332,503,833</u></b>

(Concluded)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>STRATEGIC GOALS AND OPERATIONAL SERVICE AREAS</b>			
<b>Policy and funding for closing the achievement gaps</b>			
1. Assist affiliates in developing policies and programs to close achievement gaps			
1.1 Assist affiliates develop a more comprehensive understanding about the achievement gaps	\$ 1,106,481	\$ 595,798	\$ 1,702,279
1.2 Information on policies and funding to close the gaps	241,691	725,074	966,765
1.3 Engage affiliates in policy agenda to close the achievement gaps	291,523	-	291,523
1.4 Media activities that support closing the achievement gaps	-	600,784	600,784
1.5 Provide research and data on closing the achievement gaps	735,617	592,721	1,328,338
	<hr/>	<hr/>	<hr/>
Total assist affiliates in developing policies and programs to close achievement gaps	2,375,312	2,514,377	4,889,689
2. Development of policies and site-based programs to close achievement gaps			
2.1 Enact ESEA proposals designed to close the achievement gaps	-	558,005	558,005
2.2 Strategic databases related to closing the achievement gaps	325,179	36,131	361,310
2.3 Analysis of state policies on their impact to close achievement gaps	294,253	432,391	726,644
2.4 Develop KEYS initiative as a model to produce high quality schools	743,656	-	743,656
2.5 Provide content on closing achievement gaps of disadvantaged students	927,957	-	927,957
2.6 Online professional development for effective teaching in diverse classrooms	56,604	37,736	94,340
2.7 Effective practices for a safe school environment	110,524	8,986	119,510
2.8 Support state affiliates' efforts to close achievement gaps	746,690	56,573	803,263
	<hr/>	<hr/>	<hr/>
Total development of policies and site-based programs to close achievement gaps	3,204,863	1,129,822	4,334,685
3. Partner with affiliates and other organizations to develop policies and programs to close achievement gaps.			
3.1 Partnerships that advance policy agenda of closing achievement gaps	439,923	449,931	889,854
3.2 Education-corporate-government partnerships to close the gaps	307,738	-	307,738
3.3 Establish community-family-educator collaborations to close the gaps	97,050	431,870	528,920
3.4 Facilitate research-based school improvement product policy	226,490	339,735	566,225
3.5 Engage family-school-community cadres in closing the gaps	226,078	25,120	251,198
3.6 Promote English Language Learners standards for educators	277,393	19,230	296,623
3.7 Introduce legislation that will help close the achievement gaps	-	50,816	50,816
3.8 Develop comprehensive model achievement gaps contract language	5,158	-	5,158
3.9 Develop policies to increase teacher diversity	51,034	301,034	352,068
3.10 Help affiliates recruit, develop, and retain teachers in high needs schools	170,863	266,295	437,158
3.11 Create appropriate classroom and instructional conditions for English Language Learners	560,503	14,409	574,912
	<hr/>	<hr/>	<hr/>
Total partner with affiliates and other organizations to develop policies and programs to close achievement gaps.	2,362,230	1,898,440	4,260,670

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>Increased positive image and support from the ethnic minority community</b>			
1. Benchmark the opinions of ethnic-minority community organizations and leaders about NEA and related issues			
1.1 Benchmark the opinions of ethnic minority community organizations	-	28,661	28,661
1.2 Benchmark the opinions of ethnic minority community	-	159,351	159,351
1.3 Develop a database on ethnic-minority community goals and opinions	-	68,320	68,320
Total benchmark the opinions of ethnic-minority community organizations and leaders about NEA and related issues	-	256,332	256,332
2. Develop relevant content on effective practices and policies for safe schools as it relates to ethnic-minority students, and for teacher certification and licensure assistance			
2.1 Safe schools practices and policies for ethnic minority students	54,451	-	54,451
2.2 Analysis of school improvement products to engage targeted communities	140,824	-	140,824
2.3 Provide assistance to minority candidates seeking National Board Certification	373,673	-	373,673
2.4 Support for minority candidates taking state licensure exams	327,780	474,888	802,668
2.5 Assist states develop ethnic minority outreach plans	-	198,763	198,763
Total develop relevant content on effective practices and policies for safe schools as it relates to ethnic-minority students, and for teacher certification and licensure assistance	896,728	673,651	1,570,379
3. Strengthen relationships with current partners representing ethnic-minority communities and create partnerships with key ethnic-minority groups in their communities			
3.1 Develop an education campaign designed to address anti-public education	-	129,250	129,250
3.2 Strengthen relationships with ethnic minority communities	-	1,302,683	1,302,683
3.3 Strategies to mobilize ethnic minority communities as advocates for public education	-	352,793	352,793
3.4 National campaign for ethnic minority support of public education	-	215,024	215,024
3.5 Ethnic minority community media vehicles to support outreach	-	515,871	515,871
3.6 Provide website targeted to the ethnic minority community	-	8,409	8,409
Total strengthen relationships with current partners representing ethnic-minority communities and create partnerships with key ethnic-minority groups in their communities	-	2,524,030	2,524,030
4. Work with ethnic-minority communities on mutual national legislative goals			
4.1 Work with ethnic minority community on national legislative goals	-	35	35
Total work with ethnic-minority communities on mutual national legislative goals	-	35	35

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>Improved education employees' salaries</b>			
1. Provide information to affiliates on school employee pay, and provide affiliates with relevant strategies to enhance salaries			
1.1 Develop an operational database on salaries of NEA members	15,406	-	15,406
1.2 Establish NEA as the "go to" authority on educator pay	1,162,561	116,689	1,279,250
1.3 Web site for salary campaign	6,326	987	7,313
1.4 Provide data on starting salaries for K-12 and a living wage for ESP	76,976	44,785	121,761
1.5 Provide information and strategies to affiliates to engage in salary campaigns	395,033	-	395,033
Total provide information to affiliates on school employee pay, and provide affiliates with relevant strategies to enhance salaries	1,656,302	162,461	1,818,763
2. Partner with affiliates and outside organizations to improve the level of pay for school employees			
2.1 Engage affiliates in a comprehensive salary campaign	471,247	-	471,247
2.2 Gather data and select two higher education locals for salary campaigns	20,012	20,013	40,025
2.3 Organize living wage campaigns to increase members' salaries	170,272	-	170,272
2.4 Engage ethnic minority leaders to advocate for salary increases	21,004	-	21,004
2.6 Partnerships with business organizations to support salary campaign	-	40,775	40,775
2.7 Establish salary campaigns with citizen-advocacy group support	-	114,103	114,103
2.8 Message research and promotional tools for salary campaigns	-	47,258	47,258
Total partner with affiliates and outside organizations to improve the level of pay for school employees	682,535	222,149	904,684
3. Advocate for professional level pay for all members			
3.1 Model legislation to support minimum salary for teachers and a living wage for education support professionals	-	27,100	27,100
Total advocate for professional level pay for all members	-	27,100	27,100
4. Provide training to affiliate staff and leaders to engage in effective salary campaigns			
4.1 UniServ training to increase education employees compensation	296,331	-	296,331
4.2 State-based training program focused on compensation	3,289	-	3,289
Total provide training to affiliate staff and leaders to engage in effective salary campaigns	299,620	-	299,620

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>Membership growth and affiliate development</b>			
1. Develop and implement a variety of vehicles to create an active and engaged membership			
1.1 Produce a national community for educators through on-line projects	-	75,188	75,188
1.2 Produce a web site to ignite interest in educator salary issues	-	7,956	7,956
1.3 Engage members to increase PAC contributions, participation in legislative activities and political campaigns	-	215,889	215,889
1.4 Increase minority, womens, and GLBT roles in member recruitment	-	11,163	11,163
Total develop and implement a variety of vehicles to create an active and engaged membership	-	310,196	310,196
2. Provide technical and financial support to affiliates to develop comprehensive membership recruitment programs			
2.1 Increase membership in urban/metro targets of opportunity campaigns	-	1,345,124	1,345,124
2.2 Increase membership in rural locals using on-line organizing	-	1,280	1,280
2.3 Double the membership of targeted teacher groups in two affiliates	-	173,402	173,402
2.4 Generate new members in preK and charter schools	-	56	56
2.5 Stop membership losses in affiliates with chronic losses	-	3,499,729	3,499,729
2.6 Prevent membership losses in any threat/crisis situation	-	26,971	26,971
2.7 Increase higher education and retired membership	-	617,632	617,632
2.8 Increase student membership	-	221,986	221,986
2.9 Increase education support professional membership	-	2,540,756	2,540,756
2.10 Affiliate at least one independent education support organization	-	89,236	89,236
2.11 Develop a project to increase ESP retention rates	-	124,565	124,565
2.12 Develop recruitment and retention strategies for affiliates with more than 75% of the K-12 teacher market	-	2,370,139	2,370,139
2.13 Engage affiliates in organizing plan focusing on salary increases	54,867	-	54,867
2.14 Implement an outreach strategy to historically black colleges and universities, hispanic higher education institutions and minority teachers	-	106,909	106,909
2.15 Increase membership by identifying activists in high density locals	-	85	85
Total provide technical and financial support to affiliates to develop comprehensive membership recruitment programs	54,867	11,117,870	11,172,737
3. Provide support through a wide variety of products and services to enhance member recruitment and retention			
3.1 Analyze and disseminate information and data to track effective recruitment, retention, and engagement strategies	-	66,504	66,504
3.2 Assist affiliates introduce legislation to protect or expand markets	-	34,236	34,236
3.3 Assist affiliates enhance ESP and/or higher education organizing	-	64,829	64,829
3.4 Paid media to support targets of opportunity for membership growth	-	47,400	47,400
3.5 Integrated and issues-specific message research for organizing	-	173,097	173,097
3.6 Proactive earned media outreach that supports membership growth	-	98,604	98,604
3.7 Print/web media targeted to specific membership campaigns	-	6,219	6,219
3.8 Assistance and strategies to use research-based school improvement products	82,678	248,034	330,712
3.9 Technical assistance to increase value of membership to targeted groups of teachers	-	44,534	44,534
3.10 Provide data and information to support strategic targeting and membership campaign development and bargaining	146,478	174,812	321,290
3.11 Provide staff training in organizing knowledge and skills	-	375,638	375,638
Total provide support through a wide variety of products and services to enhance member recruitment and retention	229,156	1,333,907	1,563,063

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>Tax and economic policies and school funding ("TEF")</b>			
1. Provide research, data, and technical and strategic support to address TEF issues in states			
1.1 Determine the cost of school conditions and resources that lead to high academic outcomes for all students	755	275,394	276,149
1.2 Provide a school infrastructure funding model to state affiliates	-	15,806	15,806
1.3 Provide research on tax and economic policies and school funding	-	1,037,105	1,037,105
1.4 Provide technical support on tax and economic policies and school funding	-	931,644	931,644
Total provide research, data, and technical and strategic support to address TEF issues in states	755	2,259,949	2,260,704
2. Build partnerships and recruit corporate leaders to become TEF spokespeople			
2.1 Establish partnerships in support of NEA's agenda on tax and economic policies and school funding	-	40,584	40,584
2.2 Establish community-family-educator partnerships to support NEA's policy agenda on tax and economic policies and school funding	-	256,283	256,283
2.3 Integrated and issue-specific message research development on tax and economic policies and school funding	-	184	184
Total build partnerships and recruit corporate leaders to become TEF spokespeople	-	297,051	297,051
3. Develop model legislation around TEF and provide support to affiliates to introduce such legislation			
3.1 Assist affiliates introduce tax and economic policy model legislation and referendums/ballot initiatives	-	312,085	312,085
Total develop model legislation around TEF and provide support to affiliates to introduce such legislation	-	312,085	312,085
4. Provide TEF briefings, training to state leaders and staff, and support for organizational development			
4.1 Provide information on tax and economic policies and school funding to internal and external minority community stakeholders	-	9,763	9,763
4.2 Deliver training to affiliate leaders on organizational development	34,863	6,640	41,503
Total provide TEF briefings, training to state leaders and staff, and support for organizational development	34,863	16,403	51,266

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>Affiliate programs and services</b>			
1. Support state affiliates in development of comprehensive results-oriented plans that integrate state affiliates' and NEA priorities			
1.1 Provide training to build and strengthen effective state/local affiliates	209,338	89,717	299,055
1.2 Provide state affiliate governance and management assistance to maintain sound organizational systems and practices	23,072	-	23,072
1.3 Provide coordination of NEA field operations and infrastructure	6,935,943	2,387,326	9,323,269
1.4 Coordinate the National Membership Strategy	-	594,111	594,111
Total support state affiliates in development of comprehensive results-oriented plans that integrate state affiliates and NEA priorities	<u>7,168,353</u>	<u>3,071,154</u>	<u>10,239,507</u>
2. Coordinated project funding linked to states' comprehensive plans			
2.1 UniServ grants and other grant programs to state and local affiliates consistent with NEA strategic goals	56,048,953	9,810,859	65,859,812
2.2 Administer the National Education Employee Assistance Fund	-	33,524	33,524
2.3 Provide funding to state affiliates to assist in state and region-wide programs consistent with NEA strategic goals	1,058,971	914,930	1,973,901
2.4 Respond to state affiliate information requests and provide financial assistance to help state affiliates meet program needs	1,803,733	601,244	2,404,977
2.5 Administer the Unified State Executive Directors Program	775,166	258,389	1,033,555
2.6 Increase participation in the Local President Release Time Program	437,396	145,798	583,194
Total coordinated project funding linked to states' comprehensive plans	<u>60,124,219</u>	<u>11,764,744</u>	<u>71,888,963</u>
3. Provide constituency group assistance			
3.1 Sponsor constituent group conferences	345,032	501,804	846,836
3.2 Provide assistance to constituent groups' governance	644,368	1,621,064	2,265,432
Total provide constituency group assistance	<u>989,400</u>	<u>2,122,868</u>	<u>3,112,268</u>
4. Provide technical expertise to further strategic partnerships with affiliates			
4.1 Provide affiliates with general bargaining and advocacy support	340,552	2,415	342,967
4.2 Higher Education Distance Learning and assistance to targeted rural locals	52,369	19,086	71,455
4.3 Assistance to targeted membership groups to achieve association goals	86,864	407,517	494,381
4.4 Provide information, resources and training regarding diversity, GLBT and safe school issues, and bullying and sexual harassment	920,766	-	920,766
4.5 Provide leadership training through Regional Conferences	585,141	537,058	1,122,199
4.6 Provide training for state affiliate presidents and executive directors	96,397	-	96,397
4.7 Provide an updated compensation database	66,784	-	66,784
4.8 National Management/Staff Bargaining Conference and National Labor/Management Issues Summit	102,976	-	102,976
4.9 Design and conduct training opportunities for staff and leaders	3,975,259	434,763	4,410,022
4.10 UniServ managers training and conference	445,013	11,832	456,845
4.11 Provide organizational effectiveness framework for affiliates	437,568	-	437,568
Total provide technical expertise to further strategic partnerships with affiliates	<u>7,109,689</u>	<u>1,412,671</u>	<u>8,522,360</u>

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>Economic, legal, political, and professional advocacy</b>			
1. Federal and state legislative advocacy and analysis			
1.1 Provide ballot initiative legislative crisis financial assistance	-	13,832,287	13,832,287
1.2 Lobby Congress to support NEA legislative priorities	-	550,818	550,818
1.3 Provide members political communications about NEA recommended candidates	-	2,597,997	2,597,997
1.4 Collect and analyze data on effectiveness of services to affiliates and members related to advancing legislative priorities	-	9,628	9,628
1.5 Provide support for NEA's legislative committee, PAC council, and Elementary and Secondary Education Act advisory committee	-	385,305	385,305
1.6 Administer the Political Action Committee policies and guidelines	-	326,225	326,225
1.7 Provide news and information to affiliates and leaders	31,373	596,089	627,462
1.8 Increase NEA's Political Action Committee revenues	-	1,367,552	1,367,552
1.9 Increase the number of members who are registered and vote in targeted states	-	241,018	241,018
1.10 Mobilize members to be legislative activists and promote NEA recommended candidates to other members	-	181,740	181,740
1.11 Mobilize members to elect pro-public education majorities in Congress and state legislatures	-	12,746,644	12,746,644
1.12 Provide support to promote political and legislative activity, and PAC fundraising among members	-	194,066	194,066
1.13 Promote NEA legislative agenda in Congress	-	412,217	412,217
1.14 Provide affiliates policy analysis, development, and implementation	-	1,960,503	1,960,503
1.15 Provide resources to state affiliates to combat attacks on public education and to analyze teaching and learning conditions in charter schools	93,301	517,014	610,315
1.16 Provide assistance to affiliates experiencing legislative or statutory changes affecting education support professional members	-	68,966	68,966
1.17 Provide information and assistance on special education issues	292,758	846,610	1,139,368
1.18 Internal communication (political) costs	-	1,180,426	1,180,426
Total federal and state legislative advocacy and analysis	417,432	38,015,105	38,432,537
2. Provide programs to combat the privatization of ESP jobs			
2.1 Provide support and assistance to affiliates to oppose privatization of education support professional jobs	146,452	-	146,452
Total provide programs to combat the privatization of ESP jobs	146,452	-	146,452
3. Partnerships with other organizations and federal, state, and local policy makers to support quality teaching and learning			
3.1 Partnerships and networks to promote NEA strategic goals	112,814	941,036	1,053,850
3.2 Provide support to the National Council for Accreditation of Teacher Education and the National Board for Professional Teaching Standards	757,672	193,550	951,222
Total partnerships with other organizations and federal, state, and local policy makers to support quality teaching and learning	870,486	1,134,586	2,005,072

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
4. Advocate for job rights, professional liability protection, and negotiated rights for all members			
4.1 Administer the Educator Employment Liability, Fidelity Bond, Association Professional Liability, and Attorney Referral programs	10,926,352	122,244	11,048,596
4.2 Unified Legal Services Program (ULSP) to promote job rights and provide financial assistance to affiliates for employment-related legal matters	11,282,356	11,262,208	22,544,564
4.3 Provide research and assistance on public educators' health care policy and benefits	780,632	781,498	1,562,130
4.4 Provide research and assistance on public educators' retirement policy and benefits	-	681,158	681,158
4.5 Provide technical assistance, research, data, and information through the Higher Ed Research Center, Higher Ed Contract Analysis System, and the Collective Bargaining/Research Conference	2,789,839	1,462,380	4,252,219
Total advocate for job rights, professional liability protection, and negotiated rights for all members	<u>25,779,179</u>	<u>14,309,488</u>	<u>40,088,667</u>
5. Provide support related to the concerns of minorities and women in teaching and provide strategies and training regarding human and civil rights issues			
5.1 Joint conference on concerns of minorities and women	924,949	15,369	940,318
5.2 Human and civil rights awards dinner	698,178	-	698,178
Total provide support related to the concerns of minorities and women in teaching and provide strategies and training regarding human and civil rights issues	<u>1,623,127</u>	<u>15,369</u>	<u>1,638,496</u>

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>Communications with leaders, staff, members and the general public</b>			
1. Communicate with members and other education employees via NEA Today and the Retired, Higher Education, and Student publications			
1.1 NEA Today	-	8,792,561	8,792,561
1.2 Specialized Constituency Publications	672,778	625,037	1,297,815
1.3 RA Today	290,261	-	290,261
Total communicate with members and other education employees via NEA Today and the Retired, Higher Education, and Student publications	<u>963,039</u>	<u>9,417,598</u>	<u>10,380,637</u>
2. Engage a greater number of members, potential members, and the general public through NEA.org			
2.1 NEA Interactive	788,464	845,687	1,634,151
2.2 Competitive 21st century media packages	43,913	47,211	91,124
2.3 Greater visibility through converged media packages	2,838	15,052	17,890
Total engage a greater number of members, potential members, and the general public through NEA.org	<u>835,215</u>	<u>907,950</u>	<u>1,743,165</u>
3. Internal and external messaging and branding activities			
3.1 Broadcast services	857,262	921,658	1,778,920
3.2 Advertising outreach planning, execution, and measurement	-	10,956,305	10,956,305
3.3 Executive communications	-	1,495,027	1,495,027
Total internal and external messaging and branding activities	<u>857,262</u>	<u>13,372,990</u>	<u>14,230,252</u>
4. Promote products and programs for community and member outreach			
4.1 Enterprise messaging	-	85,131	85,131
4.2 Read Across America	-	1,599,430	1,599,430
4.3 Messaging and branding	-	601,829	601,829
4.4 Message development and brand management	-	362,330	362,330
Total promote products and programs for community and member outreach	<u>-</u>	<u>2,648,720</u>	<u>2,648,720</u>

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>Governance and leadership development</b>			
1. Governance capacity building, engagement and leadership development			
1.1 Executive officers and executive committee	2,161,380	888,142	3,049,522
1.2 Board of directors	3,630,149	-	3,630,149
1.3 Strategic and advisory committees	170,265	379,981	550,246
1.4 Constituent group leadership development and training	429,569	526,834	956,403
1.5 Assist NEA constituency group councils to promote association priorities	328,935	331,226	660,161
1.6 Minority and Women's Leadership Training programs	2,227,966	-	2,227,966
1.7 Education support professional national conference	85,709	271,415	357,124
1.8 Provide affiliates with education support professional publications	91,910	39,390	131,300
1.9 Provide warehousing for education support professional materials	23,382	-	23,382
1.10 Provide state affiliates' education support professional program development and professional development grants	57,846	-	57,846
1.11 Provide assistance in selecting the Education Support Professional of the Year	1,021	-	1,021
1.12 Education Support Professional Day materials	-	12,504	12,504
1.13 Provide professional development workshops and training for education support professionals	347,925	-	347,925
Total governance capacity building, engagement and leadership development	9,556,057	2,449,492	12,005,549
2. Provide support to governance and NEA policy-making process			
2.1 Governance and policy coordination	2,541,607	2,675,509	5,217,116
Total provide support to governance and NEA policy-making process	2,541,607	2,675,509	5,217,116
3. Provide support to conduct the annual meeting and representative assembly			
3.1 NEA annual representative assembly	4,305,946	-	4,305,946
3.2 Association policy documents and structures	1,299,735	-	1,299,735
Total provide support to conduct the annual meeting and representative assembly	5,605,681	-	5,605,681
4. Engage in cooperative international partnerships			
4.1 Cooperative international relationships and partnerships	-	4,513,573	4,513,573
Total engage in cooperative international partnerships	-	4,513,573	4,513,573
5. Coordinate and advance NEA interests through outreach, coordination, and collaboration with other labor organizations			
5.1 Outreach and collaboration with other labor organizations	-	357,511	357,511
Total coordinate and advance NEA interests through outreach, coordination, and collaboration with other labor organizations	-	357,511	357,511

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
<b>Business operations that ensure organizational effectiveness</b>			
1. Provide technologies for strategic, tactical, and operational planning and to conduct day-to-day operations			
1.1 Support and maintain association foundation applications	4,136,897	4,447,658	8,584,555
1.2 Provide wide area network, local area network, and data center operations	3,510,572	3,774,284	7,284,856
1.3 Provide customer technical support	783,789	842,666	1,626,455
1.4 Disaster recovery and business continuity plans	259,730	279,241	538,971
1.5 Technology planning, research and development	149,438	160,664	310,102
1.6 Architecture and policy for strategic, tactical, and operational planning	699,943	752,522	1,452,465
1.7 Provide standard collaboration technologies	581,119	624,772	1,205,891
1.8 Project management methodology	29,092	31,278	60,370
Total provide technologies for strategic, tactical, and operational planning and to conduct day-to-day operations	10,150,580	10,913,085	21,063,665
2. Provide business systems, legal and financial expertise to NEA and affiliates			
2.1 Application systems and software to support business operations	1,423,897	1,530,860	2,954,757
2.2 Financial, membership and management training	94,191	101,266	195,457
2.3 Financial receipts and disbursements processing and reporting	9,997,516	2,350,657	12,348,173
2.4 Communications and advisory services to support and enhance business practices, treasury management and regulatory compliance	270,234	290,533	560,767
2.5 Agency fee support	89,421	-	89,421
2.6 FCPE and governance policy support	6,512	353,277	359,789
2.7 General counsel	1,040,884	1,119,075	2,159,959
2.8 Cooperative relationships in support of quality public education	-	630,530	630,530
2.9 Support NEA-HIN and project sites	518,506	131,494	650,000
2.10 Internal auditing	1,000,121	-	1,000,121
2.11 Organizational strategy development	7,612	8,183	15,795
Total provide business systems, legal and financial expertise to NEA and affiliates	14,448,894	6,515,875	20,964,769
3. Provide facilities services and logistical support for a productive, safe, and well-maintained environment			
3.1 Facility services	5,466,402	-	5,466,402
3.2 Print media production	2,455,628	-	2,455,628
3.3 Administration/purchasing	1,729,992	-	1,729,992
3.4 NEA meeting support	1,877,774	-	1,877,774
Total provide facilities services and logistical support for a productive, safe, and well-maintained environment	11,529,796	-	11,529,796

(Continued)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

	Chargeable Expenditure	Nonchargeable Expenditure	Total Expenditures
4. Support and sustain NEA as a healthy, thriving, high-performance organization			
4.1 Consultation services on human resource issues	2,041,059	-	2,041,059
4.2 Labor relations and employee recognition	474,300	-	474,300
4.3 Employee recruitment, selection, and orientation	167,236	-	167,236
4.4 Administer NEA classification system	1,726	-	1,726
4.5 Personnel and payroll systems	536,023	-	536,023
4.6 Human resource information system	442,000	-	442,000
4.7 Employee wellness program	346,448	-	346,448
4.8 Employee benefit information and education services	975,073	-	975,073
4.9 Staff development	233,985	-	233,985
4.10 Performance management	51,639	-	51,639
4.11 Employee leadership institute	401,741	-	401,741
4.12 Organizational strategy development	314,924	-	314,924
4.13 Organizational effectiveness support	783,817	-	783,817
4.14 Organizational effectiveness measurement	515,658	-	515,658
	<u>7,285,629</u>	<u>-</u>	<u>7,285,629</u>
Total support and sustain NEA as a healthy, thriving, high-performance organization			
5. Create and implement a business model and structure to evaluate and manage non-dues revenue and online professional development programs			
5.1 Professional Library	-	522,024	522,024
5.2 Increase revenue generating opportunities	-	886,777	886,777
5.3 NEA non-dues revenue generating programs, and evaluate NEA's online professional development programs	35,036	586,522	621,558
	<u>35,036</u>	<u>1,995,323</u>	<u>2,030,359</u>
Total create and implement a business model and structure to evaluate and manage non-dues revenue and online professional development programs			
	<u>35,036</u>	<u>1,995,323</u>	<u>2,030,359</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 179,834,364</b>	<b>\$ 152,669,469</b>	<b>\$ 332,503,833</b>
			(Concluded)

See notes to supplemental summary schedule of agency fee chargeable and nonchargeable expenditures.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## NOTES TO SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

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### 1. AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES

The National Education Association (NEA) collects agency or service fees from non-members of NEA. These non-members are referred to as "agency fee payers." NEA is required by law to have procedures in effect to determine the amount of its expenditures that can be charged to objecting agency fee payers. The procedures that NEA applies have received the approval of arbitrators, public sector labor boards, and courts. The legal interpretations and standards that NEA currently utilizes to make its determinations of chargeability have been developed by the NEA's Office of General Counsel based on relevant case law.

NEA has analyzed its expenditures and determined which of those expenditures were "chargeable" to objecting agency fee payers and which of them were "nonchargeable" to those agency fee payers. Based on relevant federal and state judicial and administrative decisions, it was determined that chargeable activities and expenditures were related to the following matters:

1. Collective bargaining;
2. Preparations for strikes, and activities undertaken in connection with lawful strikes;
3. Contract administration;
4. Grievance processing, including arbitration;
5. Specific terms and conditions of employment that may be negotiable, such as wages, hours, benefits, working conditions, employment discrimination, promotions, discipline, discharge, retirement benefits, performance evaluation, overtime compensation, environmental issues in the workplace, etc.;
6. Communications with bargaining unit members regarding services they receive;
7. Professional development (including teacher education, continuing education, and certification), curriculum development and implementation, teaching methods and other instructional skills, information and materials intended for instructional purposes, site-based decisionmaking, and education generally, except to the extent that such activities and expenditures involve lobbying and other political activities, membership organizing or recruitment activities, and/or external public relations;
8. Uses of technology in education;
9. Publications, portions of publications or any other communications which involve chargeable issues, such as those related to activities or expenditures listed herein as chargeable, if the publications are provided to agency fee payers;
10. Unemployment and job opportunities in education;
11. Insurance programs and other benefits for which both members and agency fee payers are eligible;

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## NOTES TO SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

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12. NEA award programs;
13. Association leadership and management skills training and techniques, strategic planning;
14. NEA Representative Assembly, Executive Committee and Board of Directors; and
15. Employee relations and NEA staff grievances.

It was further determined that nonchargeable activities and expenditures were related to the following matters:

1. Lobbying and political efforts before state legislatures, state administrative agencies, Congress, federal agencies or other executive branch officials, and ballot initiatives, as well as any grassroots lobbying activities related to Great Public Schools Program, unless any of the preceding are specifically related to ratification or implementation of a collective bargaining agreement;
2. External public relations (unless specifically related to collective bargaining or contract administration), American Education Week, National Teacher Day, and any public relations related to Great Public Schools Program;
3. Litigation, unless specifically related to collective bargaining, contract administration or organizational maintenance;
4. Voter registration and get-out-the-vote activities for members, and campaign techniques (i.e., training programs designed to prepare leaders, staff and/or members to work with membership in support of candidates for any public office);
5. Supporting or contributing to charitable, religious or ideological causes (e.g., direct or in-kind contributions to such causes, expenditures designed primarily to assist such causes, and payments to fundraisers for groups which promote such causes);
6. Supporting political organizations or candidates for public office (e.g., activities in connection with the endorsement of political candidates, activities in connection with the NEA Fund for Children and Public Education, including its administration, consulting with/or providing training for state/local political action committees);
7. Publications, portions of publications or any other communications which involve nonchargeable issues, such as those related to activities or expenditures listed herein as nonchargeable, if the publications are provided to agency fee payers;
8. Organizing or recruiting new members, establishing new or expanded bargaining units, organizing and recruitment activities related to the Great Public Schools Program, defending against challenges to exclusive bargaining representative status;

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## NOTES TO SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

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9. Various ideological issues unrelated to collective bargaining or organizational maintenance, such as reproductive freedom (including abortion and birth control), anti-flag burning laws, balanced budget amendment, prayer in school, school vouchers, race relations in Africa and Asia, energy conservation, human rights, nuclear arms freeze, child support enforcement, judicial or executive appointments, student scholarships, etc.;
10. Illegal job actions and administration of the National Education Employees Assistance Fund;
11. Monitoring and opposing activities of groups and individuals whose purpose is to undermine public education;
12. Members-only benefits, (e.g., DUES-TAB Insurance);
13. NEA-Retired and NEA Student Program activities; and
14. International relations, the Education International.

Expenditures in the following categories were analyzed by examining staff's daily activity reports, vouchers and financial reports, written or audiovisual publications, service or funding agreements, meetings or conferences, research surveys, etc., in the context of the criteria listed above: Policy and Funding for Closing the Achievement Gaps; Increased Positive Image and Support from the Ethnic Minority Community; Improved Education Employees' Salaries; Membership Growth and Affiliate Development; Tax and Economic Policies and School Funding; Affiliate Programs and Services; Economic, Legal, Political, and Professional Advocacy; categories 1 and 4, and portions of category 2 and 3 of Communications with Leaders, Staff, Members and the General Public; portions of category 1, and categories 4 and 5 of Governance and Leadership Development; and portions of category 2 and category 5 of Business Operations. Based upon these analyses, NEA determined which of its expenditures were chargeable and which were nonchargeable.

## 2. STATE AFFILIATE DETERMINATION OF CHARGEABLE EXPENDITURES

The total chargeable and nonchargeable expenditures included in the Affiliate Financial Assistance Program, Small States Foundation Program, Unified State Executive Director Program, Local Presidents Release Program, and UniServ Grants Program (all in category 2 of Affiliate Programs and Services), and in the Unified Legal Services Program (category 4 of Economic, Legal, Political, and Professional Advocacy), have been allocated based on a conservative estimate of the percentages reported by the state affiliates for the year ended August 31, 2007. State affiliates will subsequently report their respective chargeable and nonchargeable percentages for the year ended August 31, 2008, when complete, audited information is available for them to make such determinations. Therefore, the chargeable and nonchargeable expenditures of those programs listed in this document are estimates for purposes of these schedules and will subsequently be adjusted to actual upon receipt of the chargeable and nonchargeable percentages from state affiliates.

The expenditures in category 4 of Economic, Legal, Political, and Professional Advocacy include amounts for Educators Employment Liability (EEL) insurance, which is not provided

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## NOTES TO SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

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to agency fee payers in some states. For purposes of this presentation, the EEL-related expenditures have been treated as chargeable; however, in the state where the insurance is not provided to agency fee payers, the expenditures will be considered nonchargeable.

### 3. OVERHEAD FUNCTIONS

Most of the expenditures in the following Strategic Goals and Operational Service Areas are considered programmatic in nature: Policy and Funding for Closing the Achievement Gaps; Increased Positive Image and Support from the Ethnic Minority Community; Improved Education Employees' Salaries; Membership Growth and Affiliate Development; Tax and Economic Policies and School Funding; Affiliate Programs and Services; Economic, Legal, Political, and Professional Advocacy, category 1 and 4, and portions of category 2 and 3 of Communications with Leaders, Staff, Members and the General Public; portions of category 1, and categories 4 and 5 of Governance and leadership development; and portions of category 2 and category 5 of Business Operations.

The expenditures in the following Operational Service Areas are considered support or overhead: portions of category 2 and 3 of Communications with Leaders, Staff, Members and the General Public; portions of category 1, and categories 2 and 3 of Governance and Leadership Development; and portions of category 2 and categories 1, 3, and 4 of Business Operations. In view of this relationship, management believes it is fair and reasonable to allocate the expenditures in the support or overhead areas by the percentage determined as chargeable for the programmatic activities, but only after specific clearly chargeable or clearly nonchargeable expenditures have been separated and treated as fully chargeable or nonchargeable, respectively.

The support or overhead expenditures, which are considered clearly chargeable, are as follows:

#### Operational Service Area 4 - Governance and Leadership Development

1. Governance capacity building, engagement and leadership development		
Tactic 1.1	Executive Committee	\$ 1,437,096
Tactic 1.2	Board of Directors	3,630,149
2. Provide support to governance and NEA policy-making process		
Tactic 2.1	Publication of NEA Handbook and minutes and proceedings of governance meetings	53,037
3. Provide support to conduct the Annual Meeting and Representative Assembly		
Tactic 3.1	NEA Annual Representative Assembly	4,305,946
Tactic 3.2	Association policy documents and structures	1,299,735

#### Operational Service Area 5 - Business operations that ensure organizational effectiveness

2. Provide business systems, legal and financial expertise to NEA and affiliates

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## NOTES TO SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

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Tactic 2.3	Headquarters building mortgage and property tax payments	8,299,547
Tactic 2.5	Agency fee support	89,421
Tactic 2.10	Internal Auditing	1,000,121
3. Provide facilities services and logistical support for a productive, safe, and well-maintained environment		
Tactics 3.1-3.4	Headquarters building maintenance operations including casualty and liability insurance and support for NEA-sponsored meetings.	11,529,796
4. Support and sustain NEA as a healthy, thriving, high-performance organization		
Tactics 4.1-4.14	Internal labor relations, headquarters health services, and personnel matters	<u>7,285,629</u>
		<u>\$38,930,477</u>

The support or overhead expenditures that are considered clearly nonchargeable are as follows:

### Operational Service Area 4 - Governance and Leadership Development

#### 1. Governance capacity building, engagement and leadership development

Tactic 1.3	Support to the Committee on Legislation, the Advisory Committee of Student Members, Advisory Committee on Membership, Committee on Membership Eligibility, and international travel	\$ 306,376
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### Operational Service Area 5 - Business operations that ensure organizational effectiveness

#### 2. Provide business systems, legal and financial expertise to NEA and affiliates

Tactic 2.3	Accounting services and support to state affiliates' PAC accounting systems and the NEA Fund for Children and Public Education (Political Action Committee)	525,139
Tactic 2.6	Support from the Office of General Counsel for the NEA Fund for Children and Public Education (Political Action Committee)	<u>346,275</u>
		<u>\$1,177,790</u>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## NOTES TO SUPPLEMENTAL SUMMARY SCHEDULE OF AGENCY FEE CHARGEABLE AND NONCHARGEABLE EXPENDITURES YEAR ENDED AUGUST 31, 2008

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For purposes of this schedule, the chargeable and nonchargeable expenditures of the remaining support or overhead areas are based upon a chargeable percentage figure that has been derived from the chargeable programmatic activity expenditures as they appear elsewhere in the schedule. Because, as explained in Note 2, the chargeable percentages for some programmatic activities will vary from state to state in accordance with certain specific expenditures of those state affiliates, the chargeable and nonchargeable expenditures of those remaining support or overhead areas are not final. Once NEA receives the appropriate information from the state affiliates, it will calculate a final chargeable programmatic activity percentage for each state affiliate and then use that percentage to allocate the expenditures in the remaining support or overhead areas. Consequently, new NEA total chargeable and nonchargeable expenditures will result for each state affiliate.

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NATIONAL EDUCATION ASSOCIATION  
CHARGEABLE AND NONCHARGEABLE AUDITED  
EXPENDITURES FOR THE 2007-2008 FISCAL YEAR

CHARGEABLE & NONCHARGEABLE AUDITED EXPENDITURES BY GOAL  
CATEGORY AND OPERATIONAL SERVICE AREA CATEGORY

**I. PROGRAMMATIC ACTIVITIES** -- NEA's programmatic activities are organized into 35 Strategic Goal Categories

**POLICY AND FUNDING FOR CLOSING THE ACHIEVEMENT GAPS**

Category 1 – Assist state affiliates in developing policies and programs to close achievement gaps: Conducted symposia on education reform issues, developing curriculum for civic responsibility education, and achieving a diverse teaching workforce. Collected and disseminated information on such topics as social studies standards, civics, graduation standards, methods and measures of assessment and accountability, the federal role in education, testing, teacher recruitment and retention, full-day kindergarten, high school drop-out problems, literacy for English Language Learners (ELLs), arts education, physical education, curriculum development, safe schools, single-gender education, project-based learning, hard-to-staff schools, year-round education, cooperative learning, academic ability grouping, teaching out-of-field, parental involvement in education, response to intervention (RTI), achievement gaps in STEM (science, technology, engineering and math), class-size reduction, and professional development for educators. Participated in conferences, meetings and electronic presentations dealing with such topics as the impact of disorderly students on learning and school culture, racial and ethnic differences in child well-being, reductions in class-size, how emerging technologies are transforming learning, education in inner-city schools, the impact of Title I's funding formula on rural schools, student achievement since the passage of the Elementary and Secondary Education Act (ESEA)/No Child Left Behind Act (NCLB), chronic absenteeism, teacher quality, and school choice. Developed a framework for studying what criteria support great public schools, including school readiness, a quality workforce, adequate teaching and learning conditions, parent and community involvement, rigorous and comprehensive curriculum and standards, appropriate assessments and accountability, and adequate school funding. Worked with outside education organizations and coalitions to develop proposals regarding the reauthorization of NCLB and on responses to federal rulemaking proposals designed to implement NCLB. Assisted state affiliates in developing policies on growth models for adequate yearly progress and accountability under NCLB. Conducted research and disseminated information on the benefits of early childhood education. Maintained NEA's Web site on achievement gaps. Collaborated with other national education organizations on education policy topics, including closing achievement gaps, high school improvement programs, and curriculum development. Delivered training to education employees on such matters as school safety, closing achievement gaps, and dropout prevention

programs. Provided seminars on various aspects of teacher quality and how it can close achievement gaps. Gathered information, and prepared and disseminated materials, on such issues as dropout rates and prevention, teacher working conditions in public schools, working conditions in charter schools, school size, value-added assessment, high stakes testing, accountability, test preparation, growth models, and interpreting international standardized test scores. Gathered information on such topics as state test score trends, alternative routes to certification, high school graduation rates, teacher quality, teacher evaluation, creating links between education and other vital services to improve child welfare and student achievement, performance-based compensation, teacher quality, teacher shortages, teaching math and science, and academic qualifications of new teachers.....\$ 4,889,689

Chargeable audited expenditures.....\$	2,375,312
Nonchargeable audited expenditures .....	\$ 2,514,377

Category 2 – Development of policies and site-based programs to close achievement gaps: Provided assistance in drafting legislation for reauthorization of NCLB and a class-size reduction bill. Provided information and technical assistance regarding funding levels for NCLB, the Individuals with Disabilities Education Act (IDEA), drop-out prevention programs, and early childhood education. Researched and analyzed data on the costs and benefits of modernizing school facilities. Maintained databases on various criteria for closing achievement gaps among students and collected information regarding how to enhance the utility of those databases. Conducted state-by-state analyses of subject-matter graduation requirements. Provided technical assistance and analysis to state affiliates regarding the impact of IDEA on education employees. Analyzed policies affecting the closing of achievement gaps, such as counseling programs and high school redesign strategies related to students with disabilities. Analyzed proposed amendments to regulations implementing IDEA. Analyzed the impact of NCLB on students with disabilities. Provided assistance in conducting a survey on teachers’ working conditions. Provided materials on school safety issues. Provided training and materials to education employees on various topics related to closing the achievement gaps, including school safety, instructional strategies, family/school partnerships, and drop-out prevention. Participated in a conference focusing on issues related to Asian and Pacific American students, with a special emphasis on safe schools. Provided technical assistance and training to affiliates engaged in the KEYS initiative, a systemic school improvement program. “KEYS” – Keys to Excellence for Your Schools – is a diagnostic tool that measures the conditions of teaching and learning on the basis of 42 indicators of school quality that researchers have found predicts higher student achievement and thereby creates effective schools and continuous school improvement through collaborative problem-solving. KEYS also creates a system of learning behaviors and tools – such as guides, a Web site, university courses, books, and educational organizational consultants who have been trained to assist schools in making the needed changes – that will allow schools to change their organizational dynamics and become high achieving environments. Provided training to NEA leaders and staff on how action research can help them provide services to affiliates more effectively and efficiently. Researched and analyzed the status of adult education programs in the states. Research and analyzed how

school districts are using technology grants in connection with the professional development of education employees. Worked on an online professional development product. Conducted a conference for state affiliate staff that focused on professional development, teacher working conditions, education research on teaching and learning, diversity, teacher compensation, and KEYS. Provided support to affiliates attempting to obtain state-level legislation or regulations that would address issues related to closing achievement gaps, and affiliates attempting to modify collective bargaining agreements to address issues aimed at closing achievement gaps.....\$ 4,334,685

Chargeable audited expenditures.....\$ 3,204,863  
 Nonchargeable audited expenditures.....\$ 1,129,822

Category 3 – Partner with affiliates and other organizations to develop policies and programs to close achievement gaps: Collaborated with other national education organizations to share information and develop education policy recommendations. Collected and shared information with Association leaders on providing quality education for children in foster care. Provided information and training to affiliates and outside audiences regarding engaging parents in the education of their children to increase their academic achievement. Collected information from other education organizations regarding such topics as early childhood education and culturally competent teachers. Shared information on math, science, engineering, and technology education with subject-matter organizations. Collaborated with the National League of Cities to develop and implement quality afterschool programs. Made presentations on RTI and Universal Design for Learning, both of which are instructional strategies. Collaborated with other organizations to develop recommendations for reauthorization of ESEA. Provided assistance to affiliates in their efforts to enhance professional development opportunities for education employees. Provided financial assistance to state affiliates for the development of community partnerships to improve education. Shared information about NEA’s KEYS initiative with other national organizations focusing on school improvement. Maintained and enhanced the KEYS Web site, and revised KEYS training curriculum materials. Made presentations to affiliates and other education organizations and legislators on educational issues facing ELLs. Reviewed new congressional legislation and state agency policies dealing with ELLs. Provided training to education employees on matters related to working with ELLs, developing cultural competency, and professional development. Provided training to member-trainers to facilitate community discussions on how to improve students’ academic achievement, focusing on school accountability, adequate resources for schools, qualified teachers, smaller classes, and parent and community involvement schooling. Developed and distributed model collective bargaining agreement language related to closing achievement gaps. Collaborated with other national education organizations on such matters as enhancing teacher quality, attaining National Board Certification, differential pay for teachers, meaningful teacher assessment, professional development, and teachers’ working conditions.....\$ 4,260,670

Chargeable audited expenditures.....	\$ 2,362,230
Nonchargeable audited expenditures.....	\$ 1,898,440

**INCREASED POSITIVE IMAGE AND SUPPORT FROM THE ETHNIC-MINORITY COMMUNITY**

Category 1 – Benchmark the opinions of ethnic-minority community organizations and leaders about NEA and related issues: Identify key organizations and leaders for benchmarking, and develop criteria for benchmarking. Conduct research among ethnic minority community regarding views on NEA and public education.....

Chargeable audited expenditures.....	\$ -0-
Nonchargeable audited expenditures.....	\$ 256,332

Category 2 – Develop relevant content on effective practices and policies for safe schools as it relates to ethnic-minority students, and for teacher certification and licensure assistance: Provided education employees with training and materials on dropout prevention and creating safe schools. Conducted focus group meetings with ethnic-minority educators to solicit information regarding special challenges facing ethnic-minority students, review existing programs aimed at meeting those challenges, develop criteria and strategies to support academic achievement among those groups, discuss programs and resources that NEA already has available for such purposes, and collect recommendations for new products or programs to further support learning by children in those groups. Gathered information about technology that supports teaching and learning. Developed training programs to help teachers achieve National Board Certification and developed collective bargaining strategies to provide rewards for those who achieve it. Collaborated with state affiliates to develop policies for increasing educators’ compensation, reducing class size, and improving working conditions in high-needs schools. Tested and modified a previously-developed curriculum for NEA affiliates that is designed to assist teachers in meeting Praxis examination requirements. Collaborated with the Educational Testing Service to analyze whether there barriers to success for minority educators taking the Praxis exam.....

Chargeable audited expenditures.....	\$ 896,728
Nonchargeable audited expenditures.....	\$ 673,651

Category 3 – Strengthen relationships with current partners representing ethnic-minority communities and create partnerships with key ethnic-minority groups in their communities: Developed and implemented an education campaign designed to address anti-public education activities such as vouchers, privatization, and tuition tax credits. Developed pro-public education messages and tactics in ethnic minority communities. Worked with ethnic-minority media vehicles to support public education .....

\$ 2,524,030

Chargeable audited expenditures.....	\$	-0-
Nonchargeable audited expenditures.....	\$	2,524,030

Category 4 – Work with ethnic-minority communities on mutual national legislative goals: Provided administrative support.....\$ 35

Chargeable audited expenditures.....	\$	-0-
Nonchargeable audited expenditures .....	\$	35

**IMPROVED EDUCATION EMPLOYEES’ SALARIES**

Category 1 – Provide information to affiliates on school employee pay, and provide affiliates with relevant strategies to enhance salaries: Designed and shared with affiliates a compensation database to assist in developing bargaining strategies. Provided affiliates with technical assistance and training in support of electronic compensation databases. Provided financial assistance, materials, and training to affiliates in connection with bargaining strategies for increasing compensation. In conjunction with other national education organizations, produced a resource guide for affiliates to promote professional development through collective bargaining and state policy. Reviewed and analyzed proposed federal and state legislation. Provided information and technical assistance to state affiliates on such matters as career ladders, block scheduling, the impact of teacher experience on student achievement, teacher quality, and professional development resources. Maintained a Web site in support of salary campaigns. Collected and analyzed compensation data regarding teachers and ESP for use in collective bargaining and for determining membership dues. Conducted a study of local affiliates that had bargained alternative compensation structures. Gathered information on links between teacher quality and compensation, especially as they relate to alternative compensation. Provided affiliates with technical assistance and training on alternative compensation, model salary schedules and performance pay in the context of collective bargaining.....\$ 1,818,763

Chargeable audited expenditure.....	\$	1,656,302
Nonchargeable audited expenditures.....	\$	162,461

Category 2 – Partner with affiliates and outside organizations to improve the level of pay for school employees: Provided training, materials, information, and financial and technical assistance to affiliates for bargaining better salaries. Provided training to affiliates on implementing a living wage campaign through bargaining. Provided assistance to affiliates with regard to building and mobilizing community support for better compensation. Provided media research and promotional tools for salary campaigns.....\$ 904,684

Chargeable audited expenditures.....	\$	682,535
Nonchargeable audited expenditures.....	\$	222,149

Category 3 – Advocate for professional level of pay for all education employees:  
 Developed model legislation: Provided state associations with model legislation and technical assistance to promote higher compensation for education employees. ....\$ 27,100

Chargeable audited expenditures.....\$	-0-
Nonchargeable audited expenditures.....\$	27,100

Category 4 – Provide training to affiliate staff and leaders to engage in effective salary campaigns: Created and presented training focusing on bargaining for higher compensation through living wage and salary campaigns.....\$ 299,620

Chargeable audited expenditures.....\$	299,620
Nonchargeable audited expenditures.....\$	- 0 -

**MEMBERSHIP GROWTH AND AFFILIATE DEVELOPMENT**

Category 1 – Develop and implement a variety of vehicles to create an active and engaged membership: Developed Internet products aimed at increasing NEA membership. Identified, developed, and implemented a program for increasing NEA members’ contributions to NEA’s political action committee. Provided training to address special needs of gay, lesbian, bisexual, and transgendered education employees.....\$ 310,196

Chargeable audited expenditures.....\$	-0-
Nonchargeable audited expenditures.....\$	310,196

Category 2 – Provide technical and financial support to affiliates to develop comprehensive membership recruitment programs: Engaged in activities designed to increase Association membership among constituent groups. Created and updated written and training materials on compensation. Provided technical assistance and training to affiliates on bargaining strategies to improve employee compensation.....\$ 11,172,737

Chargeable audited expenditures.....\$	54,867
Nonchargeable audited expenditures.....\$	11,117,870

Category 3 – Provide support through a wide variety of products and services to enhance member recruitment and retention: Provided assistance to affiliates with regard to organizing new bargaining units or increasing membership in existing units. Provided assistance to affiliates in message-development and media strategies to improve organizing. Reviewed online professional development products, and the extent to which professional development products are being used by state affiliates. Provided training and materials to NEA staff about KEYS, with the goal of giving them the opportunity to become KEYS facilitators, administrators, or coaches. Provided technical assistance to

enhance the ability of educators to teach Asian-Pacific Islander students and Hispanic students. Continued development of a national membership data system that can be used for bargaining and organizing. Developed an Association-wide intranet site that will include data related to improving education practices and bargaining, as well as for use in organizing.....\$ 1,563,063

Chargeable audited expenditures.....\$ 229,156  
 Nonchargeable audited expenditures.....\$ 1,333,907

**TAX AND ECONOMIC POLICIES AND SCHOOL FUNDING (TEF)**

Category 1 – Provide research, data, and technical and strategic support to address TEF issues in states: Provided training and technical assistance to state affiliate staff regarding how quality schools are related to educational funding, economic development, and taxation. Provided materials for training state affiliate staff on NEA’s KEYS initiative, safe schools, and closing achievement gaps.....\$ 2,260,704

Chargeable audited expenditures.....\$ 755  
 Nonchargeable audited expenditures.....\$ 2,259,949

Category 2 – Build partnerships and recruit corporate leaders to become TEF spokespeople: Developed and maintained partnerships with businesses and governments in support of NEA tax and economic policies and school funding priorities. ....\$ 297,051

Chargeable audited expenditures.....\$ -0-  
 Nonchargeable audited expenditures.....\$ 297,051

Category 3 – Develop model legislation around TEF and provide support to affiliates to introduce such legislation: Assisted state affiliates with model and state-specific legislation and/or ballot measures, and provided technical assistance to in support of affiliates’ efforts to get such legislation or measures passed.....\$ 312,085

Chargeable audited expenditures.....\$ -0-  
 Nonchargeable audited expenditures.....\$ 312,085

Category 4 – Provide TEF briefings, training to state leaders and staff, and support for organizational development: Conducted research and made TEF presentations to ethnic-minority community groups. Designed and delivered training to state affiliate leaders on such matters as the roles of new Association members and protecting their rights, social networking for collective action, and future forces impacting education.....\$ 51,266

Chargeable audited expenditures.....	\$ 34,863
Nonchargeable audited expenditures.....	\$ 16,403

**AFFILIATE PROGRAMS AND SERVICES**

Category 1 – Support state affiliates in development of comprehensive results-oriented plans that integrate state affiliates’ and NEA’s priorities: Provided project funding to affiliates with respect to such matters as organizational development, building partnerships with other education stakeholders to enhance learning and education employees’ working conditions, school restructuring, and teacher compensation and evaluation systems. Provided assistance to affiliates for program development and professional development. Provided, monitored, and maintained technological communication tools and products to reach NEA field staff and state and local affiliates. Coordinated a national membership organizing strategy.....

Chargeable audited expenditures.....	\$ 7,168,353
Nonchargeable audited expenditures.....	\$ 3,071,154

Category 2 – Coordinated project funding linked to state affiliates’ comprehensive plans: Provided grants to state affiliates to help pay salaries of UniServ directors, whose primary functions consist of contract negotiation and implementation, grievance processing and representation in arbitration, administration of local affiliates, and training local leaders and other educators in bargaining and school improvement activities. Provided financial and staff assistance to urban affiliates for projects addressing such matters as engaging staff in school change, developing strategies for teachers with at-risk students, providing coping skills for dealing with difficult behaviors, mentoring new teachers, increasing language development, and providing instructional supplies for new teachers. Provided financial assistance to state affiliates in support of projects on such matters as improving school safety, encouraging women to play more active roles in the Association, establishing collaborative activities to improve teacher quality and student achievement through parental involvement in their children’s education, and providing leadership skills training. Provided financial assistance to state affiliates for the maintenance of effective business operations and organizational and program development. Provided coordination of, and assistance for, state affiliate leadership and management services. Provided training to state and local affiliates on such matters as arbitration skills, crisis intervention, interest-based bargaining, bargaining behavior, team-building, and dispute resolution systems. Provided affiliates with financial assistance for local president release time, and provided training to presidents on such matters as working as a team, conflict resolution, mobilizing members for collective action, developing an emerging leaders program, and creative ways to engage members in Association activities.....

Chargeable audited expenditures.....	\$ 66,573,828 <sup>1</sup>
Nonchargeable audited expenditures.....	\$ 5,315,135

Category 3 – Provide constituency group assistance: Designed and conducted a conference for higher education employees that addressed such matters as professional development, managing student behavior and motivating undergraduates, the rising costs of health care, promoting faculty diversity, faculty salary and retirement trends, and collective bargaining trends. Designed and conducted conferences for Retired and Student members of NEA. Provided bargaining training, leadership training, and technology training to higher education locals. Published and distributed materials for higher education employees addressing such topics as faculty salaries, diversity, bargainable retirement and health care benefits, and ESP benefits and job satisfaction.....\$ 3,112,268

Chargeable audited expenditures.....\$	989,400
Nonchargeable audited expenditures.....\$	2,122,868

Category 4 – Provide technical expertise to further strategic partnerships with affiliates: Provided technical and financial assistance to affiliates in support of bargaining efforts, including contract language and bargaining strategies. Provided state affiliates with grants to help their small rural affiliates with networking and capacity-building to improve the efficiency and effectiveness of their operations. Published and distributed an urban issues brief focusing on how to mobilize local affiliates in support of NEA’s positive agenda and build long-term capacity among state and local affiliates. Coordinated partnership efforts with outside organizations in support of NEA’s student membership program. Conducted diversity training for affiliate leaders, member-trainers, and ESP covering such topics as understanding cultural diversity, developing cultural identity, and reacting to differences. Conducted training for education employees on the recognition and prevention of bullying and sexual harassment in schools. Conducted Association leadership conferences on such topics as collective bargaining, professional development, mentoring new teachers, and creating safe schools. Conducted training for affiliate management on matters related to collective bargaining with their staffs, and provided staff bargaining interventions. Provided leadership skills training to state affiliate leaders, covering such topics as health care costs for members, improving working relationships, early childhood education, teacher accountability, and alternative compensation. Planned and coordinated the national Affirmative Action UniServ Intern program, including application solicitation and review, intern selection, intern training, and coordination of field-based clinical experience. Conducted training for UniServ staff on such topics as advanced advocacy, facilitation, diversity issues, how adults learn, advocating for higher pay, mediation, and presentation skills. Conducted training for new and potential UniServ staff, covering such topics as mentor/mentee experience, organizational development, community engagement, diversity issues, conflict management, facilitation skills, critical thinking, balancing Association responsibilities and personal needs, difficult conversations, mental models, stress management, and creating a learning community. Provided training to presidents of large locals on such topics as developing productive relationships that are necessary for successful management and leadership of a local, coping with stress, and implementing their vision and goals after they have been elected. Provided joint training to state affiliate presidents and executive directors on such topics as creating a productive partnership, financial

health of state affiliates, and strengthening the working relationship between NEA and state affiliates. Provided training to UniServ managers on such matters as coaching and mentoring staff, developing new leaders, workforce development, new staff orientation, and the changing role of UniServ. Conducted a conference on creating strong affiliates, which addressed such topics as community gathering, using appreciative inquiry, bridging the generation gap among members, and using an Organizational Development approach to build strong

affiliates.....\$ 8,522,360

Chargeable audited expenditures.....\$ 7,109,689

Nonchargeable audited expenditures.....\$ 1,412,671

**ECONOMIC, LEGAL, POLITICAL, AND PROFESSIONAL ADVOCACY**

Category 1 – Federal and state legislative advocacy and analysis: Provided state affiliates with financial assistance to advance public support for pro-education ballot measures, defeat anti-public education ballot measures, and urge passage or defeat of state education legislation. Promoted NEA's federal legislative agenda through a bipartisan lobbying program and grassroots mobilization. Partnered with other national organizations to lobby Congress and the executive branch in support of public education and NEA's priorities. Conducted a bipartisan lobbying program, linked with grassroots advocacy, to build support for fixing and fully funding NCLB. Maintained and expanded communications with NEA members and affiliate staff and leaders with regard to legislative and political issues. Developed a political program to build support among NEA members for pro-public education candidates from both major parties. Assisted state affiliates in efforts to assess the positions of their members on candidates and education issues, and to mobilize their members in support of pro-public education candidates. Coordinated the operation of the NEA Fund for Children and Public Education, NEA's political action committee, which is funded exclusively from voluntary member contributions, and sought to increase contributions. Provided assistance to affiliates to counter attacks on public education. Participated in strategic planning meetings regarding relationship-building among teachers, parents, businesses, and community leaders to enhance teaching and learning conditions. Provided technical assistance with regard to impact on education employees in school districts that are at risk of state takeover. Provided professional development resources on special education topics for teachers of students with Disabilities. Provided technical assistance to state affiliates regarding special education instructional issues.....\$ 38,432,537

Chargeable audited expenditures.....\$ 417,432

Nonchargeable audited expenditures.....\$ 38,015,105

Category 2 – Provide programs to combat the privatization of ESP jobs: Maintained and enhanced NEA's online privatization resource addressing such issues as contracting out bargaining unit work, contracting problems, sample contract language, and information on companies that privatize public sector jobs. Provided financial and technical

assistance to affiliates engaged in protecting education employees against privatization efforts.....\$ 146,452

Chargeable audited expenditures.....\$ 146,452  
 Nonchargeable audited expenditures.....\$ -0-

Category 3 – Partnerships with other organizations and federal, state, and local policymakers to support quality teaching and learning: Developed and maintained partnerships with outside organizations to support NEA’s strategic goals, such as working with NASA on promoting the study of mathematics and science, and with the Boys and Girls Clubs of America to design activities to reduce the drop-out rate. Co-sponsored an award program recognizing model teacher mentoring programs. Planned and coordinated a conference delivering professional development to state affiliate staff on such topics as instructional improvements, working conditions in schools, diversity, and KEYS. Produced parent guides on academic issues. Provided support to, and participated in programs of, the National Council for Accreditation of Teacher Education ("NCATE"), a nonprofit, non-governmental agency that accredits post-secondary teacher training programs. Provided technical assistance for NEA members who serve on the National Board of Professional Teaching Standards (“NBPTS”). Provided education employees and affiliates with information on National Board Certification. .... \$ 2,005,072

Chargeable audited expenditures.....\$ 870,486  
 Nonchargeable audited expenditures.....\$ 1,134,586

Category 4 – Advocate for job rights, professional liability protection, and negotiated rights for all education employees: Through the Unified Legal Services Program, provided reimbursements to state affiliates for the costs of legal representation of educators in connection with challenges to their employment rights. Paid the premium for the Educators Employment Liability Program, which provides insurance to members, and feepayers in some states, protecting them from personal financial liability when they are sued as a result of employment-related activities. Paid the premiums for and administered the Association Professional Liability Program and the Fidelity Bond Program, which provide legal and financial protection to the Association, its leaders, and its staff. Administered the Attorney Referral Program, which provides legal assistance at discounted rates for non-employment matters. Provided assistance to affiliates in bargaining, and otherwise advocated for, retirement and health care benefits. Maintained a database of collective bargaining agreements with full text retrieval capabilities. Maintained databases for employee compensation analyses. In support of collective bargaining and legislative activities, collected and analyzed data and published findings dealing with teacher demographics and workplace characteristics. Conducted detailed analyses of teachers in K-12 and ESP in K-12 and higher education based on demographic trends and variables, for use in bargaining and organizing. Conducted surveys on such topics as bargainable education reforms; working with ELL students; the public perception of teacher quality, accountability, school safety, teachers’ working conditions, school curriculum, and the achievement gap; readers satisfaction with NEA’s Web site; Association conference evaluations; staff satisfaction; bargaining priorities; and

professional development. Completed informational searches on education-related topics such as achievement gaps data on testing and graduation, student achievement, the need for teacher planning time, project-based learning, teacher job-sharing, dropout prevention, comparing regulatory requirements for public and private schools, state comparison data for NCLB requirement's, international data supporting US public schools' achievements, the District of Columbia's voucher program costs, and the benefits of full-day kindergarten. Updated and refined education data and statistics for posting on NEA's intranet, including information on such topics as 21<sup>st</sup> century skills, closing the achievement gap, accountability, bilingual education for students for whom English is a second language, compensation, collective bargaining, dropouts, and the reauthorization of NCLB. Provided information and analysis on such topics as testing assessment, NCATE evaluation, and accountability and multiple measures. Reviewed studies and disseminated information regarding such topics as national content standards, growth models, and accountability from a teaching and learning perspective. achievement gaps, dropout rates, graduation rates, gender and achievement, and standardized tests.....\$ 40,088,667

Chargeable audited expenditures.....\$ 10,366,656<sup>2</sup>  
 Nonchargeable audited expenditures.....\$ 29,722,011

Category 5 – Provide support related to the concerns of minorities and women in teaching and provide strategies and training regarding human and civil rights issues: At the NEA Representative Assembly, conducted the Joint Conference on Concerns of Minorities and Women, at which training was provided on such topics as teaching ELLs through cultural understanding, dropouts, closing achievement gaps, school-crisis preparedness and response, and multicultural education classroom strategies. Coordinated presentations to NEA Board of Directors dealing with different ethnic cultures among students. At the Representative Assembly, conducted NEA's Human and Civil Rights Awards Dinner, which recognized outstanding efforts to protect and advance human and civil rights in education.....\$ 1,638,496

Chargeable audited expenditures.....\$ 1,623,127  
 Nonchargeable audited expenditures.....\$ 15,369

**COMMUNICATIONS WITH LEADERS, STAFF, MEMBERS AND THE GENERAL PUBLIC**

Category 1 – Communicate with members and other education employees via NEA TODAY and the Retired, Higher Education, and Student publications: Informed NEA's affiliates, leaders, members, and agency feepayers about Association policies, programs, and accomplishments through an internal network of printed publications, e.g., NEA TODAY, RA TODAY, and specialized constituency periodicals.....\$ 10,380,637

Chargeable audited expenditures.....\$ 963,039  
 Nonchargeable audited expenditures.....\$ 9,417,598

Category 2 -- Produce greater visibility for NEA’s work to members and the public through converged media packages: Produced inserts for NEA TODAY.....\$ 12,000

Chargeable audited expenditures.....\$ -0-

Nonchargeable audited expenditures.....\$ 12,000

Category 3 – Internal and external messaging and branding activities (Tactics 3.2 and 3.3): Maintained NEA’s broadcast services and its products aimed at Association members and the general public. Determined specific goals of advertising outreach and directed development of creative execution and approvals, media planning, placement and tracking, and measurement of advertising’s impact. Planned media outreach involving officers and Executive Committee.....\$ 12,451,332

Chargeable audited expenditures.....\$ -0-

Nonchargeable audited expenditures.....\$ 12,451,332

Category 4 – Developed electronic communications and media events that can be delivered to targeted constituencies or general public: Implement Read Across America program. Provided message development and brand management to ensure consistency with NEA’s strategic goals.....\$ 2,648,720

Chargeable audited expenditures.....\$ -0-

Nonchargeable audited expenditures.....\$ 2,648,720

**GOVERNANCE AND LEADERSHIP DEVELOPMENT (CATEGORIES 1, 4, & 5)**

Category 1 – Governance capacity-building, engagement and leadership development (Tactics 1.4 - 1.13): Conducted Student and Retired leadership meetings. Conducted training for Association leaders in higher education, featuring such topics as leadership styles, communications styles, and removing issues from problems. Provided financial assistance for national councils of NEA constituency groups, including higher education, urban education associations, and the retired and student programs. Provided training, and coordinated training through state affiliates, to affiliate leaders regarding matters of special interest to minority and female Association leaders and education employees, including mentoring, communication (receiving and sending), assertiveness, message development, parliamentary procedure, running for Association leadership positions, organizational analysis skills, personal assessment of leadership skills, personal and professional decision-making skills, and group-process skills. Developed and disseminated materials and technological resources dealing with issues of significance to ESP, such as practical advice for avoiding misconduct charges, dealing with difficult students, creating safe schools, using quality research data, to support ESPs, workplace privacy, team-building within the school community, using technology to enhance bargaining power, school crisis preparedness and response, merged ESP-teacher locals, and cyber security risks. Provided training to ESP leaders on such matters as diversity among the education workforce, emerging Association leaders, and the impact of the

national health care debate on bargaining for benefits for ESP. Provided affiliates with publications and assistance in connection with their services to ESP, focusing on such topics as privatization, job descriptions, and mentoring programs, and model contract language. Provided financial assistance to state affiliates in support of professional development for ESP and opposition to privatization schemes. Provided training for ESP, focusing on their professional and personal development regarding such matters as working with teachers, addressing the requirements needed for certification and licensure, and the requirements under NCLB and IDEA. Developed and provided training to ESP on how to work with culturally diverse student groups.....\$ 4,775,632

Chargeable audited expenditures.....\$ 3,594,263  
 Nonchargeable audited expenditures.....\$ 1,181,369

Category 4 – Engage in cooperative international partnerships: Managed NEA’s membership in Education International, international outreach to NEA leaders and members, international advocacy, and policy input with international bodies.....\$ 4,513,573

Chargeable audited expenditures.....\$ -0-  
 Nonchargeable audited expenditures.....\$ 4,513,573

Category 5 – Coordinate and advance NEA interests through outreach, coordination, and collaboration with other labor organizations: Outreach and collaboration with other labor organizations.....\$ 357,511

Chargeable audited expenditures.....\$ -0-  
 Nonchargeable audited expenditures.....\$ 357,511

**BUSINESS OPERATIONS THAT ENSURE ORGANIZATIONAL EFFECTIVENESS (CATEGORIES 2 & 5)**

Category 2 – Provide business systems, legal and financial expertise to NEA and affiliates (Tactics 2.8 and 2.9): Developed, maintained, expanded, and tracked cooperative relationships among labor, civic, civil rights, minority, religious, family and parent, community, and public policy advocacy organizations that support quality public education. Supported efforts of the NEA Health Information Network to provide school employees with information, training, and materials on a variety of health issues and diseases of concern to students and school personnel, including early detection of breast and cervical cancer, indoor air quality in schools, HIV/AIDS prevention education, tobacco control, prostate cancer, substance abuse prevention, mental wellness, teen sexual health, children’s access to health care, asthma, nutrition, and school safety.....\$ 1,280,530

Chargeable audited expenditures.....\$ 518,506  
 Nonchargeable audited expenditures.....\$ 762,024

Category 5 – Create and implement a business model and structure to evaluate and manage non-dues revenue and online professional development programs: Provided materials and merchandise through the NEA Professional Library. Sought revenue-generating opportunities through corporate sponsorships of NEA events and marketing NEA products. ....\$ 2,030,359

Chargeable audited expenditures.....\$ 35,036  
 Nonchargeable audited expenditures.....\$ 1,995,323

**PROGRAMMATIC ACTIVITY SUMMARY**

Total Programmatic Activity Chargeable Audited Expenditures.....\$ 112,173,498  
 Total Programmatic Activity Nonchargeable Audited Expenditures.....\$ 139,204,207  
 Total Programmatic Activity Expenditures.....\$ 251,377,705  
 Programmatic Activity Chargeable Percentage..... 44.62%  
 Programmatic Activity Nonchargeable Percentage..... 55.38%

**II. SUPPORT/OVERHEAD** -- NEA's Support and Overhead Activities are organized into 9 Operational Service Areas.<sup>3</sup>

**COMMUNICATIONS WITH LEADERS, STAFF, MEMBERS AND THE GENERAL PUBLIC**

Operational Service Area 3-2 – Maintained NEA Interactive, the Association’s Web product for members, affiliates, and the general public. Produced media packages designed to increase public and member interaction with NEA via print and the Web. Through various converged media packages, generated greater visibility among the public and membership for NEA’s work.....\$ 1,731,165

Chargeable audited expenditures.....\$ 773,341  
 Nonchargeable audited expenditures.....\$ 957,824

Operational Service Area 3-3 – Provided video and audio products for NEA departments, affiliates, and the general public.....\$ 1,778,920

Chargeable audited expenditures.....\$ 793,754  
 Nonchargeable audited expenditures.....\$ 985,166

**GOVERNANCE AND LEADERSHIP DEVELOPMENT**

Operational Service Area 4-1 (Tactics 1.1-1.3) – Provided for operation of NEA Board of Directors, Executive Committee (and Executive Officers), and other governance bodies.....\$ 7,229,917

Chargeable audited expenditures.....\$ 5,895,524  
 Nonchargeable audited expenditures.....\$ 1,334,393

Operational Service Area 4-2 – Published organizational handbook as well as minutes and proceedings of governance meetings. Provided governance and policy coordination in support of policymaking, reports on governance actions, communications of Association policies, and staff support for policy planning, development, and implementation by NEA officers, Executive Director, Board of Directors, Executive Committee, Annual Meeting, and governance committees.....\$ 5,217,116

Chargeable audited expenditures.....\$ 2,357,249  
 Nonchargeable audited expenditures.....\$ 2,859,867

Operational Service Area 4-3 – Provided for operation of NEA Annual Meeting, including Representative Assembly (RA). Provided support for RA Standing Committee meetings and their activities in connection with NEA policy documents.....\$ 5,605,681

Chargeable audited expenditures \$ 5,605,681  
 Nonchargeable audited expenditures \$ -0-

**BUSINESS OPERATIONS THAT ENSURE ORGANIZATIONAL EFFECTIVENESS**

Operational Service Area 5-1 – Supported and maintained current Web-enabled Association foundation computer applications, NEA’s local area network and the wide area networks that it shares with affiliates, NEA’s Web site, computer technical support, disaster recovery and business continuity plans, and other internal data and technology operations. Provided policy development and support for strategic, tactical, and operational planning of Association technology.....\$ 21,063,665

Chargeable audited expenditures.....\$ 9,398,607  
 Nonchargeable audited expenditures.....\$ 11,665,058

Operational Service Area 5-2 – Provided payment of the headquarters building mortgage (incurred in connection with building renovation to address health and safety concerns) and property taxes. Coordinated NEA’s agency fee procedures. Conducted internal auditing functions. Provided accounting functions for NEA, including compliance with federal and local regulations involving NEA's status as a not-for-profit labor organization

and as an employer. Administered NEA’s banking and investment activities and a computer-based accounting system for its affiliates. Coordinated business management, membership information, and financial systems support for state affiliates. Provided legal and accounting services to NEA’s political action committee, as well as to the political action committees of some of its affiliates. Provided membership information that enables the collection of dues, and the verification of membership and analysis of membership trends. Conducted a management user group meeting that addressed topics such as accounting and income tax issues, business consolidations, and financial analysis tools. Provided legal assistance and representation to NEA's officers, staff, affiliates, and political action committee through the Office of General Counsel. Planned and conducted the annual meeting of attorneys representing NEA and its

affiliates.....\$ 19,684,239

Chargeable audited expenditures.....\$ 13,593,960

Nonchargeable audited expenditures.....\$ 6,090,279

Operational Service Area 5-3 – Provided administration, management, and maintenance of the property of NEA’s headquarters and regional offices, including casualty and liability insurance. Administered NEA's printing, graphic design, and multimedia services, as well as its procurement services, telephone services, and the receipt and distribution of mail. Provided logistical support for NEA-sponsored meetings throughout the country, and for governance and

staff travel.....\$ 11,529,796

Chargeable audited expenditures.....\$ 11,529,796

Nonchargeable audited expenditures.....\$ -0-

Operational Service Area 5-4 – Administered contracts with representatives of NEA staff unions. Developed and administered personnel policies, employee health, wellness and benefits programs, and problem identification and resolution procedures regarding relations with staff. Maintained a system for recruiting, selecting, and orienting new employees. Maintained a systematic staff professional development program.

Coordinated implementation of a program assessment process to measure and evaluate the effectiveness of NEA's program, staff, and financial allocations.....\$ 7,285,629

Chargeable audited expenditures.....\$ 7,285,629

Nonchargeable audited expenditures.....\$ -0-

SUPPORT/OVERHEAD SUMMARY

Total Support/Overhead Chargeable Audited Expenditures.....\$ 57,233,541

Total Support/Overhead Nonchargeable Audited Expenditures.....\$ 23,892,587

Total Support/Overhead Audited Expenditures.....\$ 81,126,128

OVERALL ANALYSIS OF NEA AUDITED EXPENDITURES

Total Chargeable Audited Expenditures.....	\$ 169,407,039
Total Nonchargeable Audited Expenditures.....	\$ 163,096,794
Total Audited Expenditures.....	\$ 332,503,833
Final Chargeable Percentage.....	50.95%
Final Nonchargeable Percentage.....	49.05%

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<sup>1</sup> In light of the U.S. Supreme Court's decision in Lehnert v. Ferris Faculty Ass'n, 500 U.S. 507 (1991), which recognized that "part of a local's affiliation fee which contributes to the pool of resources potentially available to the local is assessed for the bargaining unit's protection, even if it is not actually expended on that unit in any particular membership year," NEA has allocated its UniServ grants program expenditures, *see* Tactic 2.1, on the basis of the California Teachers Association's ("CTA's") determination of the chargeable percentage of the grants it received in the 2007-2008 fiscal year – 95.0%. Thus, the resulting UniServ chargeable amount is \$61,267,794, rather than \$54,818,553 that was used for purposes of the NEA audit. The reason for the difference between the new figure for this program and its counterpart in the NEA audit is that at the time the audit was conducted, most of the agency fee state affiliates had not yet determined their fiscal year 2007-2008 chargeable percentages. Accordingly, for purposes of the audit, the expenditures in the UniServ grants program were allocated using a conservative adjustment of the average chargeable percentage of UniServ grants to agency fee state affiliates for the year ended August 31, 2007 (85.0%). In addition, in light of the decision in Lehnert, NEA has allocated its expenditures in the Affiliate Financial Assistance Program, *see* Tactic 2.3, and the Small States Foundation Program, *see* Tactic 2.4, in accordance with CTA's determination of the overall chargeable percentage of its total expenditures for the 2007-2008 fiscal year (74.4%), resulting in chargeable amounts of \$1,050,499 and \$1,750,654, respectively, rather than the amounts of \$1,058,971 and \$1,764,772, respectively, that were used for purposes of the NEA audit. The reason for the differences between the new figures for these programs and their counterparts in the NEA audit is that at the time the audit was conducted, most of the agency fee state affiliates had not yet determined their fiscal year 2007-2008 percentages. Accordingly, for purposes of the audit, the Affiliate Financial Assistance Program and the Small States Foundation Program were allocated using a conservative adjustment of the average chargeable percentage of agency fee state affiliates' total expenditures for the year ended August 31, 2007 (75.0%). Similarly, NEA allocated its expenditures in the Unified State Executive Director Program ("USEDP"), Tactic 2.5, in accordance with CTA's determination of the chargeable percentage of its executive director's salary and benefits for the 2007-2008 fiscal year (74.4%), resulting in a chargeable amount of \$768,965, as compared with \$971,542 that was used for purposes of the NEA audit. Again, the reason for the

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difference between the new figure and its counterpart in the NEA audit is that at the time the audit was conducted, most of the agency fee state affiliates had not yet determined their fiscal year 2007-2008 percentages. Accordingly, for purposes of the audit, the expenditures in the USEDP were allocated using a conservative adjustment of the average chargeable percentage of expenditures for the salary and benefits of agency fee state affiliate executive directors for the year ended August 31, 2007 (75.0%). Finally, since the agency fee locals affiliated with CTA have allocated their 2007-08 expenditures into chargeable and nonchargeable categories, NEA is allocating its expenditures in the Local Presidents Release Program, Tactic 2.6, by the average chargeable percentage (80.0%) reported by those locals, resulting in a chargeable amount of \$466,555, as compared with \$437,396 that was used for purposes of the NEA audit. The reason for the difference between the new figure for this program and its counterpart in the NEA audit is that at the time the audit was conducted, most of the agency fee affiliates had not yet determined their fiscal year 2007-2008 chargeable percentages. Accordingly, for purposes of the audit, the expenditures in the Local Presidents Release Program were allocated using a conservative adjustment of the average chargeable percentage of agency fee local affiliates' total expenditures for the fiscal year ended August 31, 2007, (75%).

As a result of these modifications to the allocation of expenditures in the UniServ grants, Affiliate Financial Assistance, Small States Foundation, USEDP, and Local Presidents Release Programs, the total chargeable amount for Category 2 of Affiliate Programs and Services is \$66,573,828, as compared with \$60,124,219 in the NEA audit.

<sup>2</sup> In light of the decision in Lehnert, *see* note 1, NEA has allocated its Unified Legal Services Program ("ULSP") reimbursements, *see* Tactic 4.2, on the basis of CTA's determination of the chargeable percentage of the reimbursements it received in the 2007-2008 fiscal year – 26.1%. Thus, the resulting ULSP chargeable amount is \$5,878,873. This figure differs from the ULSP chargeable amount used for purposes of the chargeable/nonchargeable schedule included in the NEA audit -- \$11,262,208 -- because the amount in the audit was based upon a conservative adjustment of the average chargeable percentage of ULSP reimbursements to agency fee state affiliates for the year ended August 31, 2007. That percentage was 50%. NEA used this method because at the time its audit was conducted, most of those state affiliates had not yet determined their fiscal year 2007-2008 chargeable percentages. In addition, for purposes of the NEA audit, Educators Employment Liability (EEL) insurance expenditures, part of Tactic 4.1, were treated as chargeable. However, CTA does not offer EEL coverage to agency fee payers, and therefore all such expenditures (\$10,029,188) have been treated as nonchargeable with regard to California. Thus, the resulting chargeable total for Category 4 of Economic, Legal, Political and Professional Advocacy is \$10,366,656, as compared with \$25,779,179 in the NEA audit.

<sup>3</sup> As a result of the adjustments in the programmatic activities, *see* notes 1 and 2, the Programmatic Activity Chargeable Percentage is 44.62%, as compared with 48.19% that was in the NEA audit. Therefore, for purposes of these calculations, the figure 44.62% was used to allocate certain expenditures in the Support/Overhead activities in accordance with the procedure discussed in Footnote 3 on pages 45-47 of the NEA audit.