



2007
PTA ANNUAL REPORT



parent involvement [*noun*]: “the participation of parents in regular, two-way, and meaningful communication involving student academic learning and other school activities...”

—from the *No Child Left Behind Act*

When schools invite families to take part in their children's learning, when educators convince parents of the necessity and dramatic impact of their involvement—that is the first step in establishing a school community where all are welcome and where students have their best chance to succeed. Only by reaching out and cooperating can we, as parents, as a community, and as a nation, provide our youth with the quality public education they deserve.

Education experts have shown us that there is a positive and convincing connection between family involvement and student achievement. Ethnicity is not a factor. Neither is class. Nor level of education. Regardless of

background, parent involvement does lead to a child's success. Few things are so simple and incontrovertibly true. When families participate in their children's learning at home and at school, those children do better.

The additional involvement of community members only amplifies the energy and resources in schools. Connecting the community to the school and to families opens up new avenues of education and support, while also providing role models for children as they prepare to become citizens of the world.

Student success requires more than just sound academic policies and proper funding—it is the result of schools, families, and communities working together.





Parent Teacher Association [noun]: “a powerful voice for all children; a relevant resource for families and communities; a strong advocate for the education and well-being of every child”

—from the PTA mission statement

PTA is the largest volunteer child advocacy association in the country, as well as the nation's original and premier parent involvement organization in schools. Membership is open to all who support the health and educational achievement of our nation's children, and over 5 million parents, teachers, community members, and other concerned citizens are currently PTA members. PTA promotes parent involvement in all schools, and works to ensure nationwide access to quality public education—primarily by providing parents and communities with tools and resources to support their students, and by speaking with a powerful voice on behalf of every child.



PTA
Connecting Families, Schools,
and Communities



For generations, PTA has overcome—our members have helped pass child labor laws, defeat polio, desegregate schools, and establish a juvenile justice system. Now our nation's public schools face a devastating achievement gap, widespread funding shortages, and uncompromising federal mandates. The 2007-2010 strategic plan outlines the crucial steps needed to realize our vision of making every child's potential a reality, but we cannot do it alone. If our children are to succeed, we will need the help of all our families and communities.

Family and community participation in a school have always been critical factors in student success, but when access to quality public education is inequitable, that collaboration becomes even more important. Fortunately for our children, the best catalyst for kids' healthy development is both powerful and plentiful—if we can harness it. It's parent involvement.

Involved families not only directly support student learning, they can also help connect schools and communities by fostering civic participation and helping to establish expanded learning opportunities. By engaging neighbors, elected officials, and local businesses on behalf of children, PTA parents reinforce the idea that we all have a stake in teaching the next generation, and that we all can do something to support them.

As more families, educators, and leaders join PTA, we become a community more connected, and a voice more powerful for children. This has been our organization's tradition, and its great contribution to our country. Today, PTA members are the recipients of a grand legacy, our current successes rooted in a 100 plus year history of advancing the education and development of America's children. But we are now the ones who must ensure that this tradition carries on, we are now the ones who must reach out and connect and raise our voices for children everywhere.

Jan Harp Domene

PTA National President

Warlene Gary

PTA Chief Executive Officer

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(as of July 1, 2007)

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Connections are at the heart of everything PTA does.

PTA promotes programs that connect parent and community involvement with student learning—a combination proven to drive achievement. PTA members connect with each other locally, at the state level, across the country, and online so that one school's success can become every school's success. PTA connects with its 110 year tradition of serving families by continuing to make historic advances, and it connects with future generations of parents through a bold strategic plan designed to better serve our nation's children.

In 2007, history was made when Chuck Saylor was installed as the first ever male PTA national president-elect. Hardly a symbolic move, Saylor's election was just the beginning of PTA's aggressive new efforts to inspire greater male involvement, with new partnerships and campaigns set to take off in 2008. Another milestone was reached as the 1 millionth member was added to the Online Membership Data Reporting project, signifying further progress as PTA deploys the tools and technology needed for 21st century challenges.

The year also included several program debuts, with the incredibly successful inception of PTA Healthy Lifestyles Month, the launching of Three for Me under the PTA banner, and the commencement of the Training/Capacity Building Initiative.

Whether distributing free backpacks with Proud Community Partner Office Depot, reaching out to parents nationwide through the Back-to-School Grassroots Campaign, or lobbying Congress to ensure that students with disabilities can access proper school-based healthcare, PTA worked tirelessly in 2007 to connect families, schools, and communities for the benefit of children.

As a national organization committed to the education and well-being of every child, PTA is currently introducing ambitious programs even while focusing on broader goals that guarantee the association's long-term relevance and sustainability. PTA will increase and retain its membership; it will value and be inclusive of its diversity; it will identify, develop, and affirm its present and future leadership, it will implement improved organizational effectiveness, and it will create and sustain long-term financial viability.



2007 PTA Membership
5,355,804 members
54 Congresses (50 states plus
District of Columbia, U.S. Virgin
Islands, and Department of
Defense Dependents Schools
in Europe and the Pacific)
23,250 local units



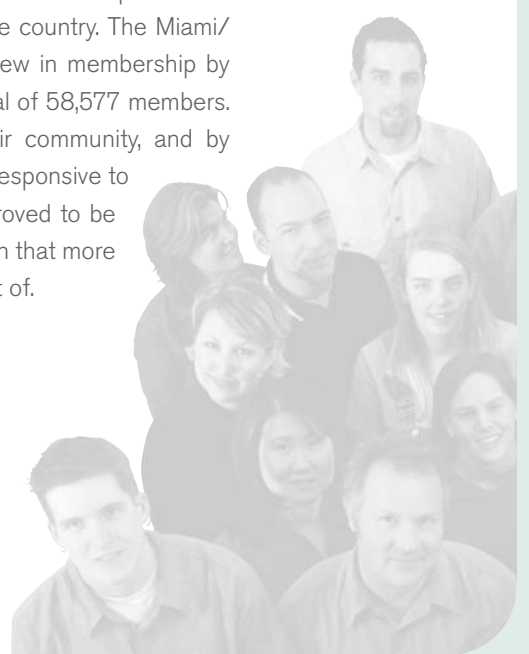
Making Membership a Priority

{ PTA will increase and retain its membership }

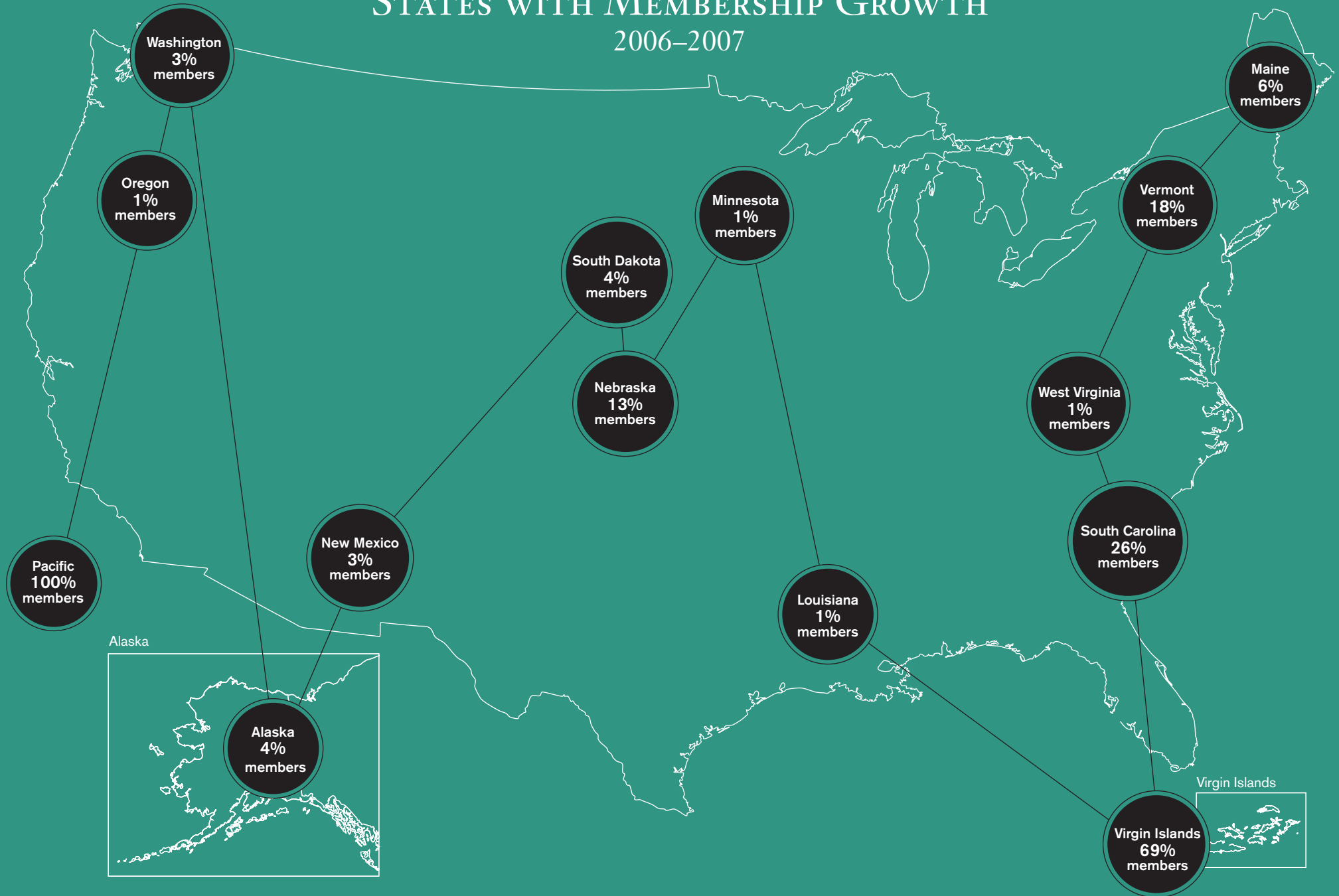
Membership is everyone's business—increasing it is the key to ensuring that PTA remains a strong national voice for children and a relevant organization for local communities. Membership is how parents get involved, how advocates turn ideas into action, and how families, schools, and communities find an avenue to accomplish common goals. Across the country, PTA is renowned as a group that makes great strides for students, and this has been true for over a century because of the passion of each and every member.

With the new Community Connections project, PTA is now reaching out to tradition-

ally underserved markets in urban areas. This initiative is designed to simultaneously increase parent involvement and PTA membership while also helping to close the achievement gap. The success of Community Connections in Miami is an encouraging example of what is possible in other markets around the country. The Miami/Dade County Council grew in membership by more than 4.6% to a total of 58,577 members. By connecting with their community, and by concentrating on being responsive to local needs, their PTA proved to be an invaluable organization that more people wanted to be part of.



STATES WITH MEMBERSHIP GROWTH 2006-2007



Embracing Everyone, Everywhere

{ PTA will value and be inclusive of its diversity }



Public elementary and secondary enrollment is projected to increase to 53 million in 2016*

To truly speak for all children, PTA must reflect the grand diversity of America, not only in the organization's membership, but also in its leadership. There is no doubt that the demographics of this nation are changing, and PTA is obligated to respond to the needs of every community—including those where language can be a barrier. Outreach to all families is the mandate, and embracing diversity is part of the solution that will help connect schools and communities for children's success.

As part of a renewed commitment to partnering with minority-based child advocacy groups and identifying new approaches for diversifying the organization, in 2007 PTA focused on building activity within

current strategic alliances and forging new relationships. The Emerging Minority Leaders Conference blossomed into an annual national event—and a series of locally-driven events. A first time collaboration with the Hispanic Heritage Foundation celebrated the 60th anniversary of Mendez v. Westminster, and PTA also participated in the DREAM Act Coalition, which worked to give certain undocumented children who have graduated from U.S. schools a path to legal status. In efforts to support families of economic and cultural diversity as well, PTA presented the *National Standards* to many parents with socioeconomic challenges at a National Head Start Association conference and joined the Coalition Against Religious Discrimination.

Minorities increased their share of public school enrollment from 22% in 1972 to 42% in 2005*

The percentage of children ages 5-17 who spoke a language other than English at home more than doubled between 1979 and 2005, to 20%*

Promoting Leadership At All Levels

{ PTA will identify, develop, and affirm its present and future leadership }

Strong advocates, visionary volunteers, and creative thinkers can easily be found wherever PTA is involved in schools. Nurturing those talented individuals into tomorrow's PTA leaders is an urgent priority for today's leadership. As part of the strategic plan, PTA pledged to host leadership events for all levels of the organization, and to increase the number of the states utilizing trained leaders.

In 2007, PTA connected with local units for leadership development through AXA Workshops in states. Thousands more national leaders (and staff) received training at state summer leadership conferences and at state conventions held throughout the year. The Emerging Minority Leaders Conference met or exceeded all its registration and programmatic goals. The year's greatest achievement,

however, was the founding of the Training/Capacity Building Initiative, which drew over 80 participants from 40 states. After completing their own training, this initial class of TCBI certified trainers returned home with the requisite skills and tools to provide training to PTA local units and others. A full 75% of states participated in this new venture, creating a widespread team of nationally trained leaders.



Minority students have accounted for about half of the growth in bachelor's degrees*

From 1997-2005, the number of students taking AP exams more than doubled, to 1.2 million; the number of Blacks and Hispanics grew faster than those of other groups*

The percentage of Whites and Asians earning a 3 or better on AP exams remained stable from 1997-2005; the percentage of Blacks, Hispanics, and Native Americans scoring 3 or better declined*

*all stats from the U.S. Department of Education's The Condition of Education 2007

Reflections artwork on display at U.S. Department of Education

An exhibit curated from the 2006 Reflections Program opens at the Department of Education headquarters, showcasing the works of 27 award-winning students

PTA Great Idea Bank

A special promotion solicits over 160 new ideas on www.pta.org, providing PTA members nationwide with suggestions for student achievement, building partnerships, health and safety, and fundraising

Grassroots Advocacy

PTA distributes the PTA Grassroots Advocacy Toolkit on CD and online, then launches the first Grassroots Advocacy Week with a webinar to help local and state leaders increase effective advocacy

PTA Take Your Family to School Week

PTA gives \$1897 Awards for the first time, recognizing 32 schools in the U.S. and abroad for planning innovative and inclusive events welcoming families into the school community

PTA delivers nearly 2,000 letters and drawings to Washington DC to “Save the Arts!”

Through the efforts of PTA and other arts advocacy groups, the Arts in Education program is to receive an increase in national funding for 2008

PTA unveils recommendations for NCLB reauthorization

PTA is joined by expert Anne Henderson at a congressional briefing to discuss strengthening the parent involvement provisions of the No Child Left Behind Act

PTA conducts first national workshop in Spanish

At the Nevada PTA Convention, a bilingual workshop highlights how Hispanic families can support their children's education, and opens a dialogue for increasing future inclusiveness.

Nation's Largest Teacher Thank You Card

PTA and the National Education Association begin collecting thank you cards from across the country for a tribute to teachers, kicking off the annual Teacher Appreciation Week celebration

PTA urges shared responsibility in youth media use

PTA calls on the entertainment industry to institute a comprehensive and more user-friendly rating system and on parents to actively protect children from unsuitable media exposure

National Standards for Family-School Partnerships are published

With the help of leading experts, PTA revises the *National Standards* to focus more on what parents, schools, and communities can accomplish together

Parent Expo at PTA National Convention

PTA organizes for the first time a free parent expo, which features nearly 200 exhibitors, interactive games for families, and expert advice on healthy eating, saving for college, and more

January

February

March

April

May

June

New Jersey PTA hosts their own EMLC Inspired by PTA's first national Emerging Minority Leaders Conference in 2006, New Jersey PTA holds the first local EMLCs in April and July, which in turn inspire other local and state EMLCs

Joint Task Force on Media and Childhood Obesity As part of a nationwide coalition, PTA reviews the pledges of 11 major food companies to stop advertising to children for products that don't meet nutritional standards

PTA Back-to-School Grassroots Campaign At events in San Diego and Miami, PTA makes special outreach efforts to the Hispanic community, providing Spanish resources and working with local Spanish language media

Membership workshops across the country With the support of the AXA Foundation, PTA hosts 30 membership workshops for 600 local unit leaders, providing information, tools, and strategies for recruiting and retention

Mendez vs. Westminster 60th anniversary PTA hosts a tribute with the Hispanic Heritage Foundation at the U.S. Capitol for the landmark case prohibiting segregation in California's schools (preceding Brown vs. Board of Education)

Rescuing Recess campaign adds Dwayne Wade and NBA Cares as partners As part of the Rescuing Recess coalition, PTA promotes a year long drive to log 1 million adult volunteer hours supporting recess and physical activity

PTA Start the Art Week celebrates arts in education Over 24,000 *PTA Start the Art Toolkits* are mailed, giving local units a leader's guide, CD-ROM with arts ideas, and a brochure on free and reduced-price arts opportunities

Emerging Minority Leaders Conference In conjunction with the Community Connections Summit, PTA welcomes emerging leaders for workshops and a keynote address from PEN President Wendy D. Puriefoy

PTA urges reauthorization of SCHIP PTA decries President Bush's veto of a bipartisan bill expanding SCHIP, a health insurance program which covers 6.6 million children, but not an additional 9 million kids without basic health coverage

Smart Television Alliance is formed PTA joins NEA, NCWO, and other organizations to promote quality television content for children and provide parents with tools, resources, and viewing recommendations from experts

PTA Healthy Lifestyles Month To launch the first PTA Healthy Lifestyles Month, PTA distributes 265,000 parent's guides, posts dozens of resources online, and awards over \$20,000 to local units promoting health and wellness

School vouchers defeated in Utah With coalition partners, PTA Outstanding Advocacy Award winner Utah PTA used blogs, editorial letters, and phone banks to convince 62% of Utah voters to reject a voucher ballot measure.

"Safety is no game. Is your family set?" In the second year of the campaign, PTA hosts event with Microsoft and Jerry Rice to announce the new Xbox 360 Family Timer and the family PACT for agreeable media use

California Family Involvement Day Jan Harp Domene helps kick off the inaugural celebration, which encourages schools statewide to host welcoming events, invite parents to volunteer, and promote parent engagement

Federal funding secured for PIRCS PTA successfully advocates for the House appropriations bill to fund parent information and resource centers for the first time, helping schools meet NCLB parent involvement requirements

Improving Head Start for School Readiness Act After a four year reauthorization effort, PTA advocacy helps provide \$2 million for local training, \$83 billion for low-income infants and toddlers, and a revised system for grants

Where Your \$1.75 In Dues Go

Member-to-Member Network (providing information on issues important to children, schools, and families—and a connection to elected officials to make your voice heard)

100 Ways to Help Your Child and School Succeed

Member benefits (discounts on goods and services from Member Benefits Providers)

PTA Parent's Calendar

National training sessions and workshops

Quick-Reference Guides

Leader's Guide

membership brochures

PTA Grassroots Advocacy Toolkit

Start the Art Week

Three for Me

Teacher Appreciation Week

PTA Healthy Lifestyles

Take Your Family to School Week

Reflections

Mary Lou Anderson Reflections Arts Enhancement Grant Program

Membership Marketing Templates and Tools

National awards

PTA Healthy Lifestyles Awards

PTA Outstanding Advocacy Award

Phoebe Apperson Hearst-National PTA Excellence in Education Partnership Award

\$1897 Awards

Unit Achievement Award

news

bulletin boards

e-learning courses

www.pta.org

parent resources

PTA Parent

This Week in Washington

Local Leader News

Partners in Leadership

Maximizing Strength, Responsiveness, and Capacity

{ PTA will implement improved organizational effectiveness }



Regular self-assessment is crucial to operating a successful and sustainable association, and clear communication between all levels within the organizational structure is no less important. To work effectively in the service of PTA's mission, individuals at all levels of PTA need to understand their role and responsibilities as advocates for children—and biannual reviews have been commissioned to ensure that they do.

In its commitment to assessing the effectiveness of the national headquarters and governance structure, PTA administered a comprehensive website study and outlined

a potential rearrangement of the National Council of States. By employing surveys, focus groups, and individual interviews with board and state leaders and volunteers, PTA laid the groundwork for a complete overhaul of pta.org to launch in 2008. The NCS Study Committee began the process of realigning the council to form a grassroots body directly connected to the board of directors. As a sign of continuing improvements in OMDR, and increasing member ease and trust with technology, PTA hit key milestones in 2007 as the number of units using OMDR jumped to 6,500 and PTA marked the registration of the 1 millionth member.

Expanding Opportunities, Ensuring Fiscal Responsibility

{ PTA will create and sustain long-term financial viability }



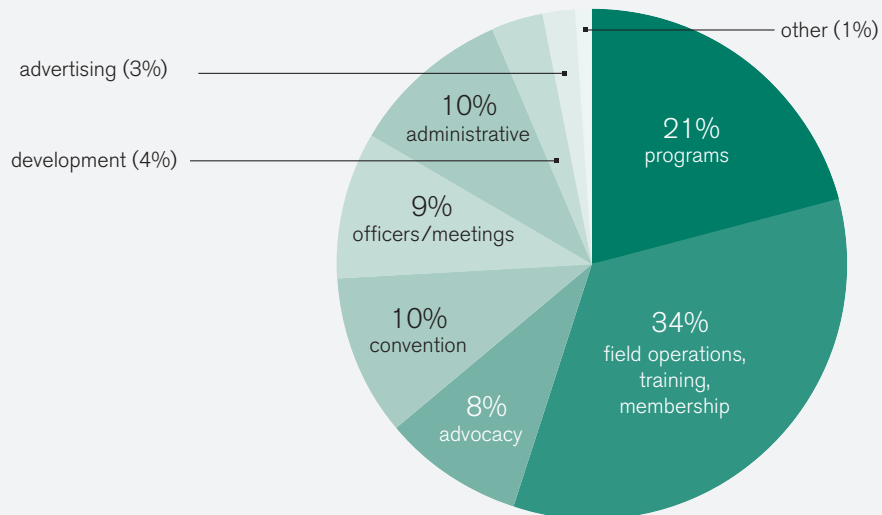
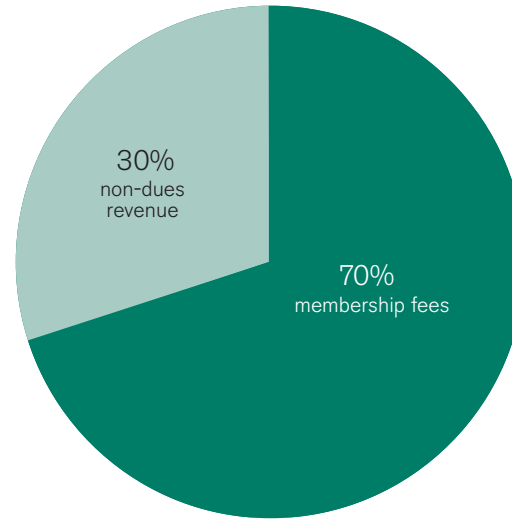
Future membership gains will provide greater revenue, but considering the magnitude of the PTA vision, increasing non-dues revenue will also be necessary for a successful long-term funding strategy. Without honest and intelligent resource management, however, revenue gains can be negated through loss and fraud. In order to reliably serve the membership and to maintain partner and donor trust, PTA is instituting finance training throughout the organization.

Recent contributions have increased dramatically from non-dues revenue thanks to PTA Proud Sponsors, leaping from \$595,000 in 2006 to \$1.2 million in 2007. Children in PTA schools have directly benefited from these corporate partnerships, as GlaxoSmithKline

underwrote the *PTA Healthy Lifestyles: A Parent's Guide*, Target funded the *PTA Start the Art Week Toolkit*, and AXA Foundation presented workshops around the country. The Commitment to America's Children Gala, honoring the GE Foundation, also raised over \$170,000, and the annual giving campaign hit its strategic plan goal by involving all the governance members in 2007.



Revenue



Expenses



national contributors

Proud National Partner

Office Depot

Proud Sponsors

AXA Foundation
Alliant Credit Union
Campbell's Labels for Education
Cartoon Network
GlaxoSmithKline
LT Apparel
Microsoft
Target

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Liberty Mutual
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Flat Earth
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2007 Commitment to America's Children Gala Sponsors

GE Foundation
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Mrs. Kathy Patty
Shirley Paul
Eugene Peterson
Paula Plant
Tracy Ann Prasad
Barbara Quinn
Mrs. Marie V. Quinn
Justin Raber
Race Enterprises IN
Richardson Independent School District
Counsel PTA-Richardson, TX
Deborah T. Ritchie
Catherine M. Romano
Keven R. Rondot
Karen Rowan
Wendy Corso Ruud
Ruthann Santangelo
Polly Saunders
Charles J. Saylors
Mr. Charles C. Saylors
Teresa Saylors
Mrs. Eileen Segal
Susan Shaffette
Abby Shiffman
Valerie K. T. Sonoda

Debbie Squires
Ardith Stansell
Debra Strauss
Janet Tanner
Stanley K. Taylor
Evelyn M. Thomas
Mrs. Marie Thomas
Tonti PTA-Chicago, IL
Mrs. Teresa H. Tudor
Rosaline Turnbull
Mrs. Alison Turner
Terri Turow
Gail Vertz
Margaret Waters
Mrs. Sophia Waugh
Sarah Williamson
Brian Zibuda

In Honor of:

Anonymous
Barbara Burton
Derilyn Chambers
Jan Harp Domene
JustGive
Carole Levine
Lewisville Independent School District
Counsel PTA-Flower Mound, TX
Aurelio Montemayor
National PTA Board of Directors
Network For Good
Michael Roberts
Debbie Squires
Ardith Stansell
Anna Weselak
Linda Whittington

In Memory of:

Gina Armour
Cyndi S. Barbian
Wayne R Bauman
Karin T. Brown
Cindy B. Dearing
Brenda Diehl
Jan Harp Domene
Barbara A. Eager
Debra Fritz
Warlene Gary
Susan Gatton
Denitra Jones
Mrs. Laura Kaiser
Maryann B. Kolbeck
Betsy Landers
Carole Levine
Ginny Markell
Pam Meyercord
Lynn J. Morris
Ramona W. Morrow
Nevada PTA-Las Vegas, NV
Carla Nino
Patricia Nixon
William Potts-Datema
Dr. Maureen R. Romans
Carmen Snow
David S. Squires
Ardith Stansell
Gail Vertz
Debbie Waggoner
Deborah Walsh
Anna Weselak
RP Whitaker
Linda Whittington
Peter Zimmer



FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
National Congress of Parents and Teachers

We have audited the accompanying combined statement of financial position of National Congress of Parents and Teachers and its affiliate (collectively National PTA) as of December 31, 2007 and the related combined statements of activities and of cash flows for the year then ended. These combined financial statements are the responsibility of the National PTA's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of National Congress of Parents and Teachers and its affiliate as of December 31, 2007 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LEGACY PROFESSIONALS, LLP
MARCH 24, 2008

National Congress of Parents and Teachers Combined Statement of Financial Position December 31, 2007

ASSETS

Current assets	
Cash and cash equivalents	\$2,614,874
Accounts receivable	
Membership dues	857,011
Grants, contracts and other	635,564
Prepaid expenses	<u>133,334</u>
Total current assets	\$4,240,783
Investments	19,056,212
Property and equipment - net	<u>1,156,158</u>
Total assets	\$24,453,153

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$1,840,670
Deferred revenue	153,157
Current portion of pension cost liability	<u>48,404</u>
Total current liabilities	\$2,042,231
Deferred lease credit	559,329
Pension cost liability	<u>283,910</u>
Total liabilities	\$2,885,470
Net assets	
Unrestricted	19,271,437
Temporarily restricted	230,960
Permanently restricted	<u>2,065,286</u>
Total net assets	<u>21,567,683</u>
Total liabilities and net assets	\$24,453,153

See accompanying Notes,..... etc.

**National Congress of Parents and Teachers
Combined Statement of Activities
Year Ended December 31, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE				
Membership fees	\$ 9,461,016	\$ -	\$ -	\$ 9,461,016
Convention fees	472,676	-	-	472,676
Subscriptions	193,012	-	-	193,012
Publications	1,115	-	-	1,115
Boutique sales	5,406	-	-	5,406
Royalties	20,454	-	-	20,454
Contributions and sponsorships	1,701,015	-	55,777	1,756,792
Grants	-	363,200	-	363,200
Leadership conferences	6,520	-	-	6,520
Parent Involvement Certification Program	6,375	-	-	6,375
Net unrealized and realized gain on investments	143,696	-	-	143,696
Interest and dividends	624,213	31,348	-	655,561
Miscellaneous	23,885	-	-	23,885
Advertising income	294,119	-	-	294,119
Member benefits	71,189	-	-	71,189
Net assets released from restrictions				
Satisfaction of program restrictions	<u>469,285</u>	<u>(469,285)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>\$ 13,493,976</u>	<u>\$ (74,737)</u>	<u>\$ 55,777</u>	<u>\$ 13,475,016</u>

See accompanying Notes,..... etc.

**National Congress of Parents and Teachers
Combined Statement of Activities
Year Ended December 31, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
EXPENSES				
Program services				
Programs	2,618,047	-	-	2,618,047
Field Operations/Training/Membership	4,112,188	-	-	4,112,188
Advocacy	1,036,664	-	-	1,036,664
Convention	1,187,046	-	-	1,187,046
Officers/Meetings	<u>1,122,549</u>	<u>-</u>	<u>-</u>	<u>1,122,549</u>
Total program services	<u>10,076,494</u>	<u>-</u>	<u>-</u>	<u>10,076,494</u>
Supporting services				
General and administrative	1,219,617	-	-	1,219,617
Development	534,744	-	-	534,744
Advertising expenses	<u>416,209</u>	<u>-</u>	<u>-</u>	<u>416,209</u>
Total supporting services	<u>2,170,570</u>	<u>-</u>	<u>-</u>	<u>2,170,570</u>
Total expenses	<u>12,247,064</u>	<u>-</u>	<u>-</u>	<u>12,247,064</u>
 Change in net assets before effect of adoption of FASB Statement No. 158	 1,246,912	 (74,737)	 55,777	 1,227,952
 Effect of adoption of recognition provisions of FASB Statement No. 158	 <u>(830,444)</u>	 <u>-</u>	 <u>-</u>	 <u>(830,444)</u>
 Change in net assets	 416,468	 (74,737)	 55,777	 397,508
 Net assets				
Beginning of year - as restated	<u>18,854,969</u>	<u>305,697</u>	<u>2,009,509</u>	<u>21,170,175</u>
End of year	<u>\$ 19,271,437</u>	<u>\$ 230,960</u>	<u>\$ 2,065,286</u>	<u>\$ 21,567,683</u>

See accompanying Notes,..... etc.

**National Congress of Parents and Teachers
Combined Statement of Cash Flows
Year Ended December 31, 2007**

Cash flows from operating activities	
Change in net assets	\$ 397,508
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	242,225
Realized and unrealized (gain) on investments	(143,696)
Changes in assets and liabilities affecting operations	
Decrease in membership dues receivable	2,739
(Increase) in grants, contracts and other receivables	(77,988)
Decrease in prepaid expenses	21,837
(Decrease) in accounts payable and accrued expenses	267,674
Change in pension cost accrual	788,314
Increase in deferred revenue	43,455
Increase in deferred lease credit	4,827
Net cash provided by operating activities	\$ 1,546,895
Cash flows from investing activities	
Purchase of property and equipment	(302,748)
Purchase of investments	(20,644,862)
Proceeds on sale and redemption of investments	19,286,101
Net cash (used in) investing activities	(1,661,509)
Net decrease	(114,614)
Cash	
Beginning of year	2,729,488
End of year	\$ 2,614,874

National Congress of Parents and Teachers Notes to Combined Financial Statements December 31, 2007

Note 1. Description of Organization

Reporting Entity

The reporting entity referred to as National Congress of Parents and Teachers includes the accounts of two organizations: National Congress of Parents and Teachers, and The Endowment Fund of the National Congress of Parents and Teachers (collectively National PTA). Combined financial statements for the two organizations are presented and significant interorganizational transactions and balances have been eliminated.

Nature of Organization

The purpose of the National PTA is to:

- Promote the welfare of children and youth in the home, school, community and place of worship.
- Raise the standards of home life.
- Secure adequate laws for the care and protection of children and youth.
- Bring into closer relationship the home and the school that parents and teachers may cooperate intelligently in the education of children and youth.
- Develop between educators and the general public such united efforts as will secure for all children and youth the highest advantages in physical, mental, social and spiritual education.

Tax-Exempt Status

National Congress of Parents and Teachers and The Endowment Fund for The National Congress of Parents and Teachers have previously received notices from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code, and have been classified as organizations which are not private foundations under Section 509(a) and which qualify for charitable contribution deductions by individual donors, as stated in Section 170. The National Congress of Parents and Teachers is subject to federal and state income tax on income from a trade or business that is unrelated to its tax-exempt purpose. National PTA does engage in activities, such as selling advertising in periodicals, that are considered unrelated to its tax-exempt purpose. However, no provision for income tax is deemed necessary. No tax payments were made in 2007. Accordingly, the accompanying combined financial statements contain no provision for income taxes.

Programs

The National PTA's major programs are as follows:

Programs

Develops and implements effective and informative programs and materials for local PTA leaders devoted to the priorities of the organization as outlined in the strategic plan.

Field Operations/Training/Membership

Provides vital information and training to assist National PTA leaders and potential leaders in developing organizational and leadership skills and knowledge needed to be successful in the National PTA and in their communities. Provides information and training to support membership retention and growth in the traditional setting as well as a variety of other membership services.

Advocacy

Advocate for policies that benefit children and families via dissemination of information, lobbying in support or opposition to proposed federal legislation, regulations, and rulemaking, participation in programs, training and monitoring legislation.

Convention

Facilitates the gathering of National PTA leadership and membership at the annual meeting and convention.

Officers/Meetings

Facilitates the gatherings of National PTA leadership including all board and committee meetings in support of the business, work and mission of the organization.

Note 2. Summary of Significant Accounting Policies**Net Assets**

The National PTA reports information regarding its financial position and activities according to three classes of net assets as follows:

- Unrestricted net assets, which include the portion of net assets of the National PTA that are neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

- Temporarily restricted net assets include the portion of net assets of the National PTA resulting from: contributions and other inflows of assets, the National PTA's use of which is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the National PTA pursuant to those stipulations. Temporarily restricted net assets at December 31, 2007 consist of amounts relating to Programs' purpose restrictions for Reflection - Arts and Education, After School Initiative and Hearst Awards.

- Permanently restricted net assets include the portion of net assets of the National PTA resulting from: contributions and other inflows of assets, the use of which by the National PTA is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the National PTA. Permanently restricted net assets at December 31, 2007 consist of assets that are restricted in perpetuity, the income of which is expendable for program use.

Cash and Cash Equivalents

The National PTA considers all highly liquid investments with an initial maturity of three months or less at the date of acquisition to be cash equivalents, excluding such investments in money managed accounts, for the purposes of the combined statement of cash flows.

Concentration of Credit Risk

Financial instruments that potentially subject the National PTA to concentrations of credit risk consist principally of short-term and long-term investments, demand deposit accounts, short-term cash investments and member receivables. The National PTA places its funds with high quality financial institutions. The balances are

insured up to \$100,000 per institution by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2007, the National PTA's balances in excess of FDIC insurance coverage totaled approximately \$2,300,000.

Concentrations of credit risk with respect to member dues are limited due to the large number of contributors comprising National PTA's contributor base and its dispersion across different geographic areas located primarily in the United States.

Property and Equipment

Purchased property and equipment are stated at cost. The National PTA capitalizes all capital expenditures in excess of \$500. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the National PTA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The National PTA reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the

restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Donated Assets

Significant donated marketable securities and other noncash assets are recorded as contributions at their estimated fair values at the date of donation.

Membership Fees

Membership fees allocated for subscriptions to the periodical *Our Children* are \$174,690 for the year ended December 31, 2007.

Deferred Revenue

Income from convention exhibit fees and subscription fees is deferred and recognized over the periods to which the fees relate.

Investment Expenses

Expenses relating to investment revenues, including custodial fees and investment advisory fees, were \$41,519 for the year ended December 31, 2007 and are netted against unrealized and realized gain on investments in the combined statement of activities.

Functional Allocation of Expenses

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Note 3. Investments

Investments are carried at fair value which generally represents reported market value as of the last business day of the fiscal year. Cash investments are carried at cost which approximates fair value. Mutual funds are carried at fair value as estimated by the investment manager. The following summary presents at December 31, 2007, the fair value for each of the investment categories:

Cash investments	\$ 619,534
Certificate of deposit	518,814
Equities	5,911,027
Mutual funds	7,333,087
Fixed income securities	<u>4,673,750</u>
Total	<u>\$19,056,212</u>

Note 4. Property and Equipment

Property and equipment are summarized by major classifications as follows at December 31, 2007:

		Estimated Useful Life
Condominiums	\$ 616,863	30 years
Furniture and equipment	443,427	5-7 years
Computer equipment	<u>1,376,964</u>	3 years
	2,437,254	
Less accumulated depreciation	<u>(1,281,096)</u>	
Total	<u>\$ 1,156,158</u>	

Depreciation expense for the year ended December 31, 2007 was \$242,225. Depreciation is computed over the estimated useful lives of the related assets by the straight-line method.

Note 5. Retirement Plans

The National PTA maintains a non-contributory defined benefit pension plan and a contributory defined contribution plan. Benefits are primarily based upon eligible years of service and final levels of employee compensation.

The following sets forth the funded status of the deferred benefit plan and the amount recognized in the combined statement of financial position at December 31, 2007:

Projected benefit obligation at end of year	\$ 2,937,802
Fair value of Plan assets	2,605,488
Projected benefit obligation in excess of plan assets	(332,314)
Accrued pension cost	(332,314)
Employer contributions	331,326
Accumulated benefit obligation	\$ 2,362,845
Weighted-average assumptions:	
Discount rate	6.25%
Expected return on Plan assets	7.00%
Rate of compensation increase	5.00%
Net pension adjustment:	
Service cost at 1/1/2007 plus interest at 6.25%	\$ 229,781
Interest cost on projected benefit obligation on 1/1/2007 at 6.25%	172,750
Expected return on plan assets on 1/1/2007 at 7.00%	(173,544)
Amortization items at 1/1/2007	
Amortization of accumulated net loss or (gain)	56,245
Amortization of unrecognized prior service cost	3,964
Net periodic pension cost for year beginning 1/1/2007	\$ 289,196

The projected benefit obligation and periodic pension cost were determined using an assumed discount rate of 6.25% and an assumed rate of compensation increases of 5.0%.

The expected long-term rate of return on plan assets of 7.0% for the year ended December 31, 2007 reflects the average rate of earnings as of January 1, 2007 expected on the funds invested to provide for the benefits included in the projected benefit obligations. Factors used in determining that rate include historic returns on plan assets and current market information on long-term returns.

The basic objective for the investment management of the plan assets is growth primarily and income secondarily. The target allocation for the equity portion of the portfolio is between 40% and 60% of the total portfolio. The target allocation for the fixed income portion of the portfolio is between 40% and 60% of the total portfolio. Plan asset allocations are reviewed periodically and rebalanced to achieve target allocation among the asset categories when necessary. The asset categories at December 31, 2007 are as follows:

Equities	62%
Fixed income	34%
Cash and cash equivalents	4%
Total	100%

The amount expected to be contributed in 2008 is \$225,000. During 2007, the National PTA made benefit payments in the amount of \$228,722. Also, the National PTA is expected to make the following benefit payments over the next 10 fiscal years:

Estimated future benefit payments:	
2008	\$ 48,404
2009	275,572
2010	312,469
2011	46,734
2012	138,921
2013-2017	<u>1,236,268</u>
	<u>\$2,058,368</u>

Note 6. FASB No. 158 – Prepaid Pension Adjustment

On September 29, 2006, the Financial Accounting Standards Board issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of statements SFAS No. 87, SFAS No. 88, and SFAS No. 132(R). SFAS No. 158 requires the disclosure of the incremental effect on individual line items due to application of the statement.

The impact on individual line items for the year ended December 31, 2007 is as follows:

	Before Application of Statment 158	Adjustment	After Application of Statement 158
Asset (liability) for pension benefits	\$ 498,130	\$(830,444)	\$ (332,314)
Total net assets	\$22,560,406	\$(830,444)	\$21,729,962

Future changes include the elimination of the early measurement period. These changes will be required to be recognized for fiscal years ending after December 15, 2008, and are not reflected in these financial statements.

Note 7. Commitments

Commitments consist primarily of various lease agreements for office space and equipment. Future minimum rental payments required for noncancellable operating leases having terms in excess of one year are as follows:

Year ending December 31,	
2008	\$ 345,230
2009	347,329
2010	327,210
2011	335,297
2012	343,585
Remainder	<u>1,144,422</u>
Total	<u>\$ 2,843,073</u>

Rent expense is recognized using the straight-line method over the life of the lease and consequently, the accompanying combined statement of financial position reflects a noncurrent liability for deferred lease credit of \$559,329 at December 31, 2007 representing lease expense recognized but not yet paid. Rent expense for the year ended December 31, 2007 was \$677,324.

Note 8. The Endowment Fund of the National Congress of Parents and Teachers

Financial information for The Endowment Fund of The National Congress of Parents and Teachers, which is included in the combined financial statements (Note 1), at December 31, 2007 is as follows:

Statement of Financial Position	
Assets:	
Cash and cash equivalents	\$ 172,410
Accounts receivable-other	13,781
Investments	<u>4,081,625</u>
Total assets	<u>\$ 4,267,816</u>
Liabilities:	
Due to National Congress of Parents and Teachers	<u>\$14,177</u>
Net assets:	
Unrestricted	2,704,844
Permanantly restricted	<u>1,548,795</u>
Total net assets	<u>4,253,639</u>
Total liabilities and net assets	<u>\$ 4,267,816</u>

Statement of Activities			
	Unrestricted	Permanently Restricted	Total
Revenue:			
Contributions:			
Life achievement awards	\$ -	\$ 30,325	\$ 30,325
Other	-	25,452	25,452
Interest and dividends	90,565	-	90,565
Net realized and unrealized gain on investments	<u>87,062</u>	-	<u>87,062</u>
Total revenue	177,627	55,777	233,404
Expenses:			
General and administrative	<u>17,013</u>	-	<u>17,013</u>
Change in net assets	160,614	55,777	216,391
Net assets			
Beginning of year	<u>2,544,230</u>	<u>1,493,018</u>	<u>4,037,248</u>
End of year	<u>\$2,704,844</u>	<u>\$1,548,795</u>	<u>\$4,253,639</u>

Note 9. Line of Credit

National PTA established a line of credit with LaSalle Bank in September 2002, which was extended until December 31, 2008. The maximum borrowing under the line of credit is \$2,000,000. No borrowings were made against the line of credit in the year ended December 31, 2007.

Note 10. Restricted Assets

Restricted assets as of December 31, 2007 are as follows:

	Permanently Restricted	Temporarily Restricted
National Congress of Parents and Teachers		
Government, corporate, and foundation grants	\$ -	\$154,076
Educator of the Year Award–Hearst Foundation	300,000	38,450
Reflection Awards		
Enhancement Grant Program	90,256	16,768
Visual Arts	26,880	5,089
Literature Scholarship	33,119	5,606
Music Scholarship	33,118	5,606
Photography Scholarship	<u>33,118</u>	<u>5,365</u>
	516,491	230,960
Endowment Fund of the National PTA	1,548,795	-
Total	<u>\$2,065,286</u>	<u>\$230,960</u>

Note 11. Prior Period Adjustment

The beginning of the year net assets have been restated \$21,091 to properly reflect previously uncaptured software assets, net of the associated accumulated depreciation related to these unrecorded assets. Also, an adjustment of \$387,840 was made to remove accrued expenses incorrectly recorded in the previous year. The adjustments had the following effect on unrestricted, temporarily restricted and permanently restricted net assets at January 1, 2007.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance- as originally presented	\$18,446,038	\$305,697	\$2,009,509	\$20,761,244
Adjustment	<u>408,931</u>	<u>-</u>	<u>-</u>	<u>408,931</u>
Beginning balance- as restated	<u>\$18,854,969</u>	<u>\$305,697</u>	<u>\$2,009,509</u>	<u>\$21,170,175</u>



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