

# Financial Reports

Secretary-Treasurer | Independent Auditors

Presented to the Representative Assembly July 2018

## National Education Association

The National Education Association is the nation's largest professional employee organization, representing 3 million elementary and secondary teachers, higher education faculty, education support professionals, school administrators, retired educators, and students preparing to become teachers.

NEA Executive Officers

Lily Eskelsen García, President

Rebecca S. Pringle, Vice President

Princess R. Moss, Secretary-Treasurer

John C. Stocks, Executive Director

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A REPORT FROM  
NEA SECRETARY-TREASURER  
PRINCESS R. MOSS

*“The trade union movement represents the organized economic power of the workers... It is in reality the most potent and the most direct social insurance the workers can establish.” —Samuel Gompers, labor leader*

This is arguably the most important moment in U.S. history for public education and unionism. For decades, our adversaries have had the destruction of unions at the top of its agenda. They have sought to dismantle unions, especially our union, because of the collective impact that our 3 million members bring to the education debate on behalf of our members and the students we educate. It is clear that the *Janus* decision could deal a devastating blow to public-sector unions and will be touted as a victory against collective bargaining by our enemies who seek to destroy us.

The good news is that we have not allowed these attacks to devolve into despair. Educators are rising up. We are mobilizing. We have seen our members raise their voice in support of public education in places like West Virginia, Oklahoma, Kentucky, Colorado, Arizona, and North Carolina where our members have demanded increased funding for our students, public schools, and respect for the professions. They have proven, once again, that labor’s biggest gains have been made not when the law was on our side, but when the working class has stepped up to defend and protect the labor movement and our voice in this democracy. César Chávez once said: “From the depth of need and despair, people can work together, can organize themselves to solve their own problems and fill their own needs with dignity and strength.” This is why we must continue to organize, conduct outreach, listen to members, and cultivate one-to-one conversations. And in unity, I am confident that we are prepared to weather the storm and stay united as the largest labor union in the world.

I am pleased to present the financial reports of the National Education Association for the fiscal year that ended August 31, 2017 as well as the interim financial statements through April 30, 2018 with projections to our August 31, 2018 fiscal year end.

These reports provide you with the information on the fiscal condition of NEA and demonstrate that we have the economic resources to meet the needs of our members.

We continue to improve our business operations. We are consistently identifying and assessing our organizational business risks and determining how to monitor, control and mitigate against them. Our organization can only maximize our effectiveness and defend and protect the union when we are financially sound. We must be flexible enough to adapt to changes in our environment and deploy our resources accordingly.

Sí se puede!

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## THE AUDIT REPORT FOR 2016–2017

On pages 5–37, you will find a complete audit report as prepared by our independent certified public accounting firm, Calibre CPA Group, PLLC. NEA is required to present consolidated financial statements, which include all of NEA's various funds as well as our Member Benefits Corporation, NEA Properties, Inc., and NEA360 LLC. The audit report is divided into four parts:

1. The auditor's opinion letter;
2. The actual financial statements on which the audit is based;
3. Footnotes to the financial statements which help explain some of the individual items; and
4. Supplemental schedules showing additional detail by fund.

The auditor's opinion letter states that their work was conducted in accordance with generally accepted auditing standards and that the consolidated financial statements and the supplemental schedules fairly present the financial position and results of operations. It is an unmodified opinion, or a "clean opinion," meaning it was issued without any qualifying comments. An unmodified opinion is the highest level of opinion given by an independent auditor.

The Consolidated Statements of Financial Position present the Association's assets, liabilities, and net assets as of August 31, 2017 and 2016. One important indicator of an organization's financial strength is its net assets (*the difference between total assets and total liabilities*). Net assets should be a positive balance, sufficient to support future growth, and stabilize an organization in troubled times. NEA's consolidated net assets carry a positive balance and are at an acceptable level, enabling the Association to weather the current economic environment. In addition, NEA has a healthy current ratio, which means that we are in a solid position to meet our current obligations as they become due.

The accompanying footnotes provide supplemental information that gives a more detailed explanation of aspects of the financial statements presented. I encourage you to read them.

The supplemental schedules reflect a detailed breakdown of the general operations and special purpose funds that, taken together, represent the consolidated statements.

The General Operating Fund Supplemental Statement of Activities and Changes in Net Assets reflects total revenue and expenses by strategic goals and core function areas.

Financial statements contained within the audit include:

1. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION as of August 31, 2017 and 2016 (p.7). This statement shows total current assets of \$245,011,928 and total current liabilities of \$31,606,791 resulting in a healthy current ratio of 7.75:1. NEA's consolidated Unrestricted Net Assets, which represents the difference between what it owns (total assets of \$371,742,851) and what it owes (total liabilities of \$58,495,379), is a positive \$313,247,472.
2. CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS for the years ended August 31, 2017 and 2016 (p.8). This statement shows that the total revenue for the fiscal year 2016–17 was \$425,695,767 and the total expenses, including the Change in Pension Obligation Other Than Net Periodic Pension Cost and Other Charges, were \$415,278,748. The excess of total revenue over total expenses resulted in a surplus of \$10,417,019.

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3. CONSOLIDATED STATEMENTS OF CASH FLOWS for the years ended August 31, 2017 and 2016 (p.9). These statements reflect the sources and uses of cash for the two fiscal years, and are designed to analyze the period-to-period fluctuations in key elements in the Consolidated Statements of Financial Position.
  4. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (pp. 10–30). The notes to the financial statements discuss the significant accounting policies of the Association as well as provide explanatory information on elements of the financial statements.
  5. SUPPLEMENTAL SCHEDULES (pp. 32–37). The supplemental schedules provide additional details for the NEA General Operating Fund and Special Purpose Funds.

### INTERIM FINANCIAL STATEMENTS FOR 2017–2018

On pages 41–43 you will find the General Operating and Capital Improvement Funds Statements of Financial Position (unaudited) as of April 30, 2018 and the General Operating Fund – Statement of Activities and Changes in Net Assets (unaudited) for the eight months ended April 30, 2018, which includes a projection of revenue and expenses for the remaining four months of our current fiscal year.

The General Operating Fund – Statement of Activities and Changes in Net Assets (unaudited) indicates that we anticipate exceeding our budgeted revenue for 2017–2018. We are projecting additional dues revenue of approximately \$2.8 million. As required by our bylaws, we will also have higher UniServ and Special Dues costs totaling approximately (\$1,210,000) due to the higher membership counts. In addition, we are projecting savings in our contingency fund of \$1.9 million. The net of these changes along with other spending variances is expected to result in an increase to Net Assets of approximately \$3.2 million for the fiscal year ending August 31, 2018.

On page 44, you will find a schedule indicating the original amount approved and authorized for the fiscal year 2017–2018 Contingency Fund adopted at last year’s Representative Assembly. It also identifies the dates, level of governance approval, and purposes for which allocations from the fund were made.

### MEMBERSHIP COMPARISON BY STATE

Pages 46–47 contain a detailed schedule arranged by state and membership category reflecting an increase in membership of 17,660 from fiscal year 2016 to 2017. Membership is the lifeblood of our organization. Efforts to maintain our membership base and expand it are essential to our fiscal health.

I hope the information in this report is informative and provides you with a glimpse of the complex financial network in place to meet the varied needs of our 3 million members as well as to advance our vision of **A Great Public School for Every Student.**

Respectfully submitted,



Princess R. Moss  
NEA Secretary-Treasurer

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## **REPORT OF INDEPENDENT AUDITORS**

To the Executive Committee and Members of the  
National Education Association of the United States

We have audited the accompanying consolidated financial statements of the National Education Association of the United States and its subsidiaries (NEA), which comprise the consolidated statements of financial position as of August 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Education Association of the United States and its subsidiaries as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying information included on pages 32 through 37 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information, except for the budgeted amounts (which is unaudited), has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Calibre CPA Group, PLLC*

Bethesda, MD

November 29, 2017

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AUGUST 31, 2017 AND 2016

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 196,206,085	\$ 200,783,125
Membership dues receivable – net	30,879,433	30,901,684
Amount due from affiliates and other organizations – net	1,437,156	1,748,220
Accounts receivable	7,762,292	6,915,286
Notes receivable	1,116,666	1,050,000
Prepaid expenses	6,897,274	10,673,830
Deferred income taxes	390,654	354,737
Other current assets	322,368	308,810
Total current assets	<u>245,011,928</u>	<u>252,735,692</u>
<b>LONG-TERM ASSETS</b>		
Notes receivable – net	4,385,432	5,324,320
Deferred rent assets	247,832	282,615
Deferred leasing commission	221,844	140,438
Investments	41,745,388	43,305,642
Pension asset	16,019,741	10,770,466
Property and equipment – net	64,110,686	68,126,355
Total long-term assets	<u>126,730,923</u>	<u>127,949,836</u>
Total assets	<u>\$ 371,742,851</u>	<u>\$ 380,685,528</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,981,250	\$ 23,809,950
Accrued liabilities	10,341,745	18,916,936
Deferred income	1,681,770	1,668,039
Accrued annual leave	6,366,763	6,727,847
Amount held for affiliates and other organizations	1,235,263	1,149,288
Total current liabilities	<u>31,606,791</u>	<u>52,272,060</u>
<b>LONG-TERM LIABILITIES</b>		
Grant commitment	–	400,000
Accrued severance payable	6,042,740	5,873,707
Deferred income	15,752,126	16,252,183
Deferred income taxes	5,093,722	3,057,125
Total long-term liabilities	<u>26,888,588</u>	<u>25,583,015</u>
Total liabilities	<u>58,495,379</u>	<u>77,855,075</u>
<b>UNRESTRICTED NET ASSETS</b>		
Undesignated net assets	189,872,321	175,318,915
Designated net assets	123,375,151	127,511,538
Total unrestricted net assets	<u>313,247,472</u>	<u>302,830,453</u>
Total liabilities and net assets	<u>\$ 371,742,851</u>	<u>\$ 380,685,528</u>

See accompanying notes to financial statements.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
<b>OPERATING ACTIVITIES</b>		
UNRESTRICTED REVENUES		
NEA programs:		
Dues	\$ 366,358,879	\$ 362,188,445
Other	3,236,879	3,211,246
Total NEA programs	369,595,758	365,399,691
Member Benefits programs:		
Program revenues – suppliers	54,088,126	53,675,613
Other	205,846	152,767
Total Member Benefits programs	54,293,972	53,828,380
NEA Properties:		
Rental income	1,652,033	1,565,110
Other	154,004	93,127
Total NEA Properties	1,806,037	1,658,237
Total unrestricted revenue	425,695,767	420,886,308
EXPENSES		
Program services:		
NEA programs	309,541,266	302,170,880
Member Benefits programs	43,694,932	43,258,653
NEA Properties	1,506,660	1,487,692
Total program services	354,742,858	346,917,225
Support services:		
NEA programs	58,446,542	60,955,080
Member Benefits programs	6,279,936	7,579,256
NEA Properties	215,438	208,978
Total support services	64,941,916	68,743,314
Total expenses	419,684,774	415,660,539
CHANGE IN NET ASSETS FROM OPERATIONS	6,010,993	5,225,769
<b>NON-OPERATING ACTIVITIES</b>		
CHANGE IN PENSION OBLIGATION OTHER THAN NET PERIODIC PENSION COST AND OTHER CHARGES	4,406,026	(1,746,568)
CHANGE IN NET ASSETS	10,417,019	3,479,201
Net assets		
Beginning of year	302,830,453	299,351,252
End of year	\$ 313,247,472	\$ 302,830,453

See accompanying notes to financial statements.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 10,417,019	\$ 3,479,201
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	4,174,808	4,847,806
Bad debt expense	589,685	781,441
Net realized gain on investments	(1,112,090)	(4,398)
Net unrealized gain on investments	(274,771)	(978,689)
Write-off of software and equipment	8,916,405	13,888
Deferred income taxes	2,000,680	(268,546)
Changes in assets and liabilities:		
Decrease (increase) in membership dues receivable	(567,434)	210,013
Decrease (increase) in amount due from affiliates and other organizations	311,064	(170,747)
Increase in accounts receivable	(847,006)	(2,239,459)
Decrease (increase) in prepaid expenses	3,776,556	(3,845,117)
Increase in other current assets	(13,558)	(24,862)
Decrease in deferred rent assets	34,783	85,888
(Increase) decrease in deferred leasing commission	(81,406)	43,287
(Increase) decrease in pension asset	(5,249,275)	817,819
(Decrease) increase in accounts payable	(11,828,700)	9,024,824
(Decrease) increase in accrued liabilities	(8,575,191)	4,704,356
(Decrease) increase in accrued annual leave	(361,084)	100,837
Increase (decrease) in amount held for affiliates and other organizations	85,975	(21,455)
Decrease in grant commitment	(400,000)	(100,000)
Increase (decrease) in accrued severance payable	169,033	(48,947)
Decrease in deferred income	(486,326)	(538,637)
Net cash provided by operating activities	<u>679,167</u>	<u>15,868,503</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of notes receivable	(200,000)	(1,000,000)
Repayment of notes receivable	1,072,222	1,000,000
Purchases of investments	(27,179,716)	(7,932,709)
Proceeds from sale of investments	30,126,831	11,195,652
Purchases of property and equipment	(9,075,544)	(13,744,810)
Net cash used in investing activities	<u>(5,256,207)</u>	<u>(10,481,867)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,577,040)	5,386,636
CASH AND CASH EQUIVALENTS		
Beginning of year	200,783,125	195,396,489
End of year	<u>\$ 196,206,085</u>	<u>\$ 200,783,125</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION – CASH PAID DURING THE YEAR		
Interest	\$ 1,581	\$ 1,076
Income taxes	<u>\$ 3,608,303</u>	<u>\$ 1,414,394</u>

See accompanying notes to financial statements.

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 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: “our mission is 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 adopted a vision of “a great public school for every student.” This vision guided NEA’s strategic plan and budget, which is organized around two Strategic Goals and six Core Function Areas.

The Strategic Goals address two key challenges:

- *Strong Affiliates for Educator Voice and Empowerment* – NEA will partner with state and local affiliates to strengthen their organizational capacity to: secure opportunities for empowered educators to transform the conditions of teaching and learning through supportive policies, practices, and structures; engage and continually deepen relationships with and relevance to members; and grow Association membership and strength while thwarting attacks on member rights and union strength.
- *Empower Educators for Successful Students* – In partnership with state and local affiliates and parents and communities, NEA will enhance the quality of education professions by supporting the development of educators across their professional continuums for empowerment roles that elevate the quality of professional practice, shape the future of teaching and learning, achieve educational opportunity and equity, advance national, state, and district level policies, and create solutions designed to improve student outcomes.

The Core Function Areas address regular, ongoing programs and services:

- *Research, Policy, and Practice for Great Public Schools* – In partnership with state and local affiliates and allied organizations, NEA will research and synthesize key learnings to develop, identify, and implement national, state, and district policies that facilitate successful practices and models for teaching and learning that promote student success.
- *Organizing* – In partnership with state and local affiliates, parents, and communities, NEA will organize to grow and strengthen our Association at all levels in order to improve student outcomes, secure the proper teaching and learning conditions, and achieve educational opportunity and equity for all students.
- *Advocacy and Outreach* – NEA and its affiliates, in partnership with parents, communities, and allied organizations, will advocate educators’ views to national, state, and district policymakers, stakeholders, and the public to advance policy that achieves equity of opportunity, access, and excellence for students in public education; promotes social, economic, and racial justice for America’s students and their families; and secures members’ rights and greater empowerment as experts to determine and shape optimal conditions for teaching and learning.

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 1. ORGANIZATION (CONTINUED)

- *Communications* – NEA will utilize the best communication strategies to advance the organization’s mission and vision by understanding key audiences, engaging state and local affiliates, members, partners, parents and communities, coordinating message development and delivery across the Association, and enhancing the Association’s brand and reputation.
- *Business Operations* – NEA will administer and support business operations across the Association and its affiliates in a manner that supports the changing needs and priorities of the organization by ensuring efficient and effective infrastructure and sound fiscal management, leveraging technology, and strengthening the Association’s human capital.
- *Governance* – NEA will develop and maintain leadership development and decision-making structures and processes across the Association and its affiliates that clearly advance the organization’s mission and vision.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Principles of Consolidation*** – The consolidated financial statements include the accounts of NEA and its wholly owned subsidiaries: NEA Properties, Inc. (NEAPI), NEA’s Member Benefits Corporation (MBC), and MBC’s wholly-owned subsidiary, the NEA Professional Services Corporation, NEA Advocacy Fund, NEA 360 LLC, and an affiliated entity, National Education Employees Assistance Fund, Inc. (NEEAF). NEAPI’s primary purpose is to hold title to and manage certain commercial real property in Indiana, collect income from that property and periodically surrender the net proceeds derived to NEA. MBC serves as a contractor for NEA’s member benefits functions. The NEA Advocacy Fund was established as a separate segregated fund to engage in exempt function advocacy. The NEA Advocacy Fund is registered with the Federal Election Commission and files reports with the FEC as required. NEA 360 LLC is an entity that was established to finance and implement a new state-of-the-art membership management system (the NEA360 System) in furtherance of NEA’s mission of advancing public education and MBC’s mission to develop and promote member benefits. NEEAF is combined with the accounts of NEA due to common control and an economic interest. All intercompany accounts and transactions have been eliminated in consolidation.

***Measure of Operations*** – NEA includes in its measure of operations all revenue and expenses that are integral to its continuing core program services with the key objective being predictability of indicated results. Non-operating income and expenses include unrealized appreciation (depreciation) and defined benefit pension charges included in the change in pension obligation other than net periodic pension cost and other charges.

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of Accounting** – The accompanying consolidated 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 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** – The Special Purpose Funds are grouped for reporting purposes into Related Entity, Bylaw, and Other Special Purpose Funds. The Related Entity Special Purpose Funds are Member Benefits Corporation (MBC), NEA Properties, Inc. (NEAPI), NEA 360 LLC, NEA Advocacy Fund, and the National Education Employees Assistance Fund (NEEAF). The Bylaw mandated Special Purpose Funds are the Capital Improvement Fund, Great Public Schools Fund, Special Dues Ballot Fund, Special Dues Media Fund and the UniServ Fund. The Other Special Purpose Funds are the Cash Stabilization, External Partnership Grants, Infrastructure Reserve Fund, National Issues Advancement Fund, Membership Organizing, and the NEA-Life Membership Fund.

**Use of Estimates** – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the deferred revenue, useful life of fixed assets, pension liability, reserve for uncollectible receivables, reserve for contingent liabilities, and deferred tax. Actual results could differ materially, in the near term, from the amounts reported.

**Concentration of Risks** – Financial instruments that potentially subject NEA to significant concentrations of credit risk principally consist of cash, accounts receivable, and investments. NEA places its cash in a financial institution that is federally insured under the Federal Deposit Insurance Corporation (FDIC). At August 31, 2017, the cash aggregate balances were in excess of the FDIC insurance limits by approximately \$205,166,000 and therefore, bear some risk, since they were not collateralized. NEA has not experienced any losses on its cash to date related to FDIC insurance limits.

MBC had material revenues from two entities representing approximately 77% of revenues for the years ended August 31, 2017 and 2016.



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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Investments** – Investments consist of mutual funds and exchange traded funds and are recorded at fair value, with any gains or losses reflected in the consolidated statements of activities and changes in net assets. Net realized gains from operating activities were \$1,112,090 and \$4,398 for the years ended August 31, 2017 and 2016, respectively. The net unrealized gain included in operating activities was \$201,034 and the unrealized gain included in non-operating activities was \$73,737, for a total net unrealized gain of \$274,771 for the year ended August 31, 2017. The net unrealized gain included in operating activities was \$832,262 and the unrealized gain included in non-operating activities was \$146,427, for a total net unrealized gain of \$978,689 for the year ended August 31, 2016.

**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, and equipment and 25 to 40 years for buildings and leasehold improvements.

NEA capitalizes direct costs incurred during the application development and implementation stages for developing software for internal use. These software costs are depreciated using the straight-line method over the estimated useful life of the software, generally three to ten years. All costs incurred during the preliminary project stage are expensed as incurred.

Depreciation and amortization expense was \$4,174,808 and \$4,847,806 for the years ended August 31, 2017 and 2016, respectively, and is reflected in NEA's support services expenses in the consolidated statements of activities and changes in net assets.

**Accrued Severance Payable** – 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 in accordance with Accounting Standards for *Compensation-Nonretirement Postemployment Benefits*.

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

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 uncollectible receivables, 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.

**Rental Revenue** – NEAPI rents office space to various tenants. Rental revenue from operating leases is recognized on a straight-line basis over the term of the lease.

**Income Taxes** – NEA follows the authoritative guidance relating to accounting for uncertainty in income taxes included in the Accounting Standards Codification (ASC) Topic on *Income Taxes*. These provisions provide consistent guidance for the accounting for the uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. NEA believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. NEA Form 990, *Return of Organization Exempt from Income Tax*, for the fiscal years 2014 through 2016, are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

### NOTE 3. INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Equity securities		
Mutual funds – common stocks	\$ 12,347,118	\$ 16,111,063
Exchange traded funds	<u>7,043,979</u>	<u>1,668,772</u>
Total equity securities	<u>19,391,097</u>	<u>17,779,835</u>
Debt securities		
Mutual funds – fixed income	22,354,291	20,586,475
Exchange traded funds	<u>–</u>	<u>4,939,332</u>
Total debt securities	<u>22,354,291</u>	<u>25,525,807</u>
Total investments	<u>\$ 41,745,388</u>	<u>\$ 43,305,642</u>

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 4. NOTES RECEIVABLE

On May 16, 2009, NEA entered into a long-term promissory note agreement with the Indiana State Teachers Association (ISTA) to provide supplemental support and direct loans. The promissory note was unsecured and bore interest at one half of one percent above the London Interbank Offered Rate (LIBOR) per annum. On January 13, 2014, the promissory note was reduced to \$15,000,000 and is payable in full on or before January 1, 2028. The new loan bears a fixed interest rate of 2.5%. ISTA will receive an annual discount equivalent to the annual interest accrued if all payments are received by due dates for the fiscal year. As of August 31, 2017 and 2016, the total outstanding note balance is \$10,500,000 and \$11,500,000, respectively. Due to the unsecure nature of the ISTA promissory note, NEA recognized an uncollectible allowance of \$6,125,680 for fiscal years ended August 31, 2017 and 2016.

On March 1, 2016, NEA entered into a five-year promissory note agreement with National Board for Professional Teaching Standards (NBPTS). The promissory note is secured and bears no interest. As of August 31, 2017, the outstanding note balance is \$950,000.

On February 7, 2017, NEA entered into a three-year promissory note agreement with Mississippi Association of Educators (MAE). The promissory note is secured and bears an annual interest rate of 3.5%. As of August 31, 2017, the outstanding note balance is \$177,778.

The total outstanding note balance is \$11,627,778 as of August 31, 2017.

### NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31:

	<u>2017</u>	<u>2016</u>
Land		
NEA headquarters	\$ 1,753,777	\$ 1,753,777
MBC headquarters	837,002	837,002
NEA Properties	1,943,982	1,943,982
Building improvements		
NEA headquarters	83,406,560	82,969,726
MBC headquarters	7,434,330	7,355,741
NEA Properties	16,261,892	15,794,262
Furniture, fixtures, and equipment	29,476,010	28,813,073
Software development costs	<u>63,088,476</u>	<u>64,575,327</u>
	204,202,029	204,042,890
Less: accumulated depreciation and amortization	<u>(140,091,343)</u>	<u>(135,916,535)</u>
Total property and equipment	<u>\$ 64,110,686</u>	<u>\$ 68,126,355</u>

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 6. COMMITMENTS AND CONTINGENCIES

MBC leases office space and personal property under non-cancelable operating leases expiring through 2019. Future minimum lease payments under these leases are as follows:

Year Ended August 31,	
2018	\$ 111,724
2019	<u>15,635</u>
Total future minimum lease payments	<u>\$ 127,359</u>

Rental expense for all operating leases was approximately \$103,000 and \$112,000 for the years ended August 31, 2017 and 2016, respectively.

The Department of Labor has been reviewing certain issues surrounding the NEA Members Insurance Plan of which NEA is the sponsor and administrator. The status and outcome of this review is unknown at this time.

### NOTE 7. RETIREMENT BENEFITS

*Employees' Retirement Plan of the National Education Association of the United States* – NEA participates in a multiemployer, defined benefit retirement plan for NEA employees that covers substantially all permanent employees. On June 1, 2009, the plan was amended to require employee contributions at a rate of 3.5% for employees hired by NEA on or after June 9, 2009. NEA employs approximately 46% of the employees covered under the plan; the remaining 54% are employees of participating state and local affiliates of NEA.

NEA contributes to the multiemployer pension plan jointly administered by NEA's management and union representatives. The risk of participating in U.S. multiemployer pension plans is different from single employer pension plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits of employment to other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If NEA stops participating in its multiemployer pension plan, it may be required to pay the plan an amount based on the underfunded status of the entire plan.

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

### NOTE 7. RETIREMENT BENEFITS (CONTINUED)

NEA's participation in the above defined benefit plan for the years ended August 31, 2017, 2016 and 2015 is outlined in the following table. All information in the table is as of August 31 of the relevant year unless otherwise noted. The Pension Protection Act (PPA) zone status column ranks the funded status of multiemployer pension plans depending upon a plan's current and projected funding. The zone status is based on information that the NEA received from the plan. Among other factors, the plan is in the Red Zone (Critical) if it has a current funded percentage of less than 65%. A plan is in the Yellow Zone (Endangered) or Orange Zone (Seriously Endangered) if it has a current funded percentage of less than 80%, or projects a credit balance deficit within seven years. A plan is in the Green Zone (Healthy) if it has a current funded percentage greater than 80% and does not have a projected credit balance deficit within seven years.

The following table contains information about NEA's multiemployer pension plan for the years ended December 31, 2016 and 2015.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status December 31,		Contributions from NEA			Employer Contributions (Y/N)		Expiration Date of Collective Bargaining Agreement
		2016	2015	8/31/2017	8/31/2016	8/31/2015	2016	2015	
Employees' Retirement Plan of the National Education Association of the United States	53-0115260	Green	Green	\$ 22,126,390	\$ 20,718,803	\$ 19,887,510	Y	Y	AFSE 6/1/2017 to 5/31/2020; IUOE 2/1/2017 to 1/31/2019; NEASO 6/1/2015 to 5/31/2018

For the years ended December 31, 2016 and 2015, NEA was listed on the Plan's 5500 as providing more than five (5) percent of the total contributions for the Plan years. NEA currently has no intention of withdrawing from this multiemployer pension plan.

**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 amounted to \$573,094 and \$302,063 for the years ended August 31, 2017 and 2016, 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.

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 7. RETIREMENT BENEFITS (CONTINUED)

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 non-operating charge in NEA's consolidated statements of activities and changes in net assets. As of August 31, 2017 and 2016, none of NEA's net assets were reserved for postretirement benefit obligation.

Postretirement benefit expense under the multiemployer plan was \$12,186,000 and \$11,100,000 for the years ended August 31, 2017 and 2016, respectively.

**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 \$264,415 and \$278,168, for the years ended August 31, 2017 and 2016, 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 of the NEA Staff Organization (NEASO) Collective Bargaining Unit. MBC contributes to the Plan a percentage of compensation as set forth in a collective bargaining agreement with NEASO. MBC's contributions to the Plan during the years ended August 31, 2017 and 2016 were \$735,816 and \$738,945, 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.

Benefit obligation, plan assets, and the funded status of the Plan at August 31 were as follows:

	<u>2017</u>	<u>2016</u>
Benefit obligation	\$ 33,531,874	\$ 35,229,777
Fair value of plan investments	49,551,615	46,000,243
Funded status of the Plan	16,019,741	10,770,466

The discount rate used in the calculation of the benefit obligation increased to 3.75% from 3.25%.

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## NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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#### NOTE 7. RETIREMENT BENEFITS (CONTINUED)

Contributions to the Plan and benefits paid for the year ended August 31 were as follows:

	<u>2017</u>	<u>2016</u>
Employer contributions	\$ —	\$ 3,541,121
Benefits paid	633,016	441,906

Amounts recognized in the Statements of Financial Position consisted of:

	<u>2017</u>	<u>2016</u>
Non-current assets	\$ 16,019,741	\$ 10,770,466

Amounts recognized in accumulated non-operating income consisted of:

	<u>2017</u>	<u>2016</u>
Net actuarial loss	\$ 9,559,623	\$ 15,729,817
Prior service cost	<u>1,589,182</u>	<u>2,283,581</u>
Total (before tax effects)	11,148,805	18,013,398
Tax effects	<u>(4,256,180)</u>	<u>(6,838,162)</u>
	<u>\$ 6,892,625</u>	<u>\$ 11,175,236</u>

The accumulated benefit obligation is \$31,176,725 and \$31,877,844 at August 31, 2017 and 2016, respectively.

Net periodic cost is \$1,615,318 and \$1,299,545 for the years ended August 31, 2017 and 2016, respectively.

Other changes in Plan assets and benefit obligations recognized in non-operating income (loss) (before tax effects) were as follows:

	<u>2017</u>	<u>2016</u>
Net (gain) loss	\$ (4,333,595)	\$ 5,004,871
Recognized gain	(1,836,599)	(1,251,077)
Amortization of prior service cost	<u>(694,399)</u>	<u>(694,399)</u>
Total recognized in other non-operating income (loss)	<u>\$ (6,864,593)</u>	<u>\$ 3,059,395</u>
Total recognized in net periodic benefit cost and other non-operating income (loss)	<u>\$ (5,249,275)</u>	<u>\$ 4,358,940</u>

Amounts expected to be recognized in net periodic cost in the coming year are as follows:

Recognized loss	\$ 742,655
Prior service cost recognition	694,399

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 7. RETIREMENT BENEFITS (CONTINUED)

Weighted-average assumptions used to determine benefit obligations at August 31 were as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	3.75%	3.25%
Rate of salary increases	4.00%	4.00%

Weighted-average assumptions used to determine net periodic benefit cost for the years ended August 31 were as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	3.25%	4.25%
Rate of salary increases	4.00%	4.00%
Expected long-term rate of return of asset	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.

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, alternative investments, and cash equivalents. MBC's investment policy states that the target allocations for Plan assets are 64% equity securities, 22% fixed income securities, 10% alternative investments, and 4% cash equivalents. 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 ongoing basis by means of quarterly investment portfolio reviews, an annual independent actuarial valuation, and periodic asset/liability studies.

Pension plan allocations at August 31 were as follows:

	<u>2017</u>	<u>2016</u>
Equities	62%	58%
Fixed income securities	19%	20%
Alternative investments	14%	14%
Cash equivalents	5%	8%
Total	<u>100%</u>	<u>100%</u>



# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

### NOTE 7. RETIREMENT BENEFITS (CONTINUED)

The fair value of MBC's pension plan investments at August 31, 2017 by asset class are as follows (Levels defined in Note 14):

Asset Class	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 2,748,216	\$ 2,748,216	\$ -	\$ -
Equity securities:				
U.S. large-cap	15,943,437	15,943,437	-	-
U.S. mid-cap	4,042,116	4,042,116	-	-
U.S. small-cap	3,917,241	3,917,241	-	-
REIT	1,895,324	1,895,324	-	-
International	3,642,188	3,642,188	-	-
Emerging markets	1,110,439	1,110,439	-	-
Other investment funds:				
Equity long/short (a)	3,377,273	3,377,273	-	-
Fixed income securities:				
U.S. fixed income	7,833,905	7,833,905	-	-
International fixed income	1,485,683	1,485,683	-	-
Alternative investments:				
Hedge funds (b)	3,555,793	-	-	3,555,793
	<u>\$ 49,551,615</u>	<u>\$ 45,995,822</u>	<u>\$ -</u>	<u>\$ 3,555,793</u>

(a) This mutual fund class includes funds that by prospectus, have the ability to take both long and short positions within the portfolio. The primary investment vehicle is Exchange Traded Funds (ETFs). The manager of this fund has the ability to rotate investments between various equity styles: value, growth and/or blended, as well as multiple market capitalizations: large-cap, mid-cap, and small-cap.

(b) This is a private, commingled investment vehicle which is not registered as an investment company, issues securities only to accredited investors or qualified purchases under an exemption from registration, and engages primarily in strategic trading of securities and other financial instruments.

A reconciliation of fair value measurements using significant unobservable inputs (Level 3) as of August 31, 2017 was as follows:

Change in Level 3 Category	Hedge Funds
Beginning balance – 9/1/2016	\$ 3,565,041
Net losses (realized/unrealized)	(9,248)
Ending balance – 8/31/2017	<u>\$ 3,555,793</u>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

### NOTE 7. RETIREMENT BENEFITS (CONTINUED)

The fair value of MBC's pension plan assets at August 31, 2016 by asset class are as follows:

Asset Class	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 3,794,406	\$ 3,794,406	\$ -	\$ -
Equity securities				
U.S. large-cap	14,006,687	14,006,687	-	-
U.S. mid-cap	3,019,537	3,019,537	-	-
U.S. small-cap	3,399,939	3,399,939	-	-
REIT	1,920,120	1,920,120	-	-
International	4,092,990	4,092,990	-	-
Emerging markets	298,226	298,226	-	-
Other investment funds				
Equity long/short (a)	2,961,865	2,961,865	-	-
Fixed income securities				
U.S. fixed income	7,398,043	7,398,043	-	-
International fixed income	1,543,389	1,543,389	-	-
Alternative investments				
Hedge funds (b)	3,565,041	-	-	3,565,041
	<u>\$ 46,000,243</u>	<u>\$ 42,435,202</u>	<u>\$ -</u>	<u>\$ 3,565,041</u>

(a) This mutual fund class includes funds that by prospectus, have the ability to take both long and short positions within the portfolio. The primary investment vehicle is Exchange Traded Funds (ETFs). The manager of this fund has the ability to rotate investments between various equity styles: value, growth and/or blended, as well as multiple market capitalizations: large-cap, mid-cap, and small-cap.

(b) This is a private, commingled investment vehicle which is not registered as an investment company, issues securities only to accredited investors or qualified purchases under an exemption from registration, and engages primarily in strategic trading of securities and other financial instruments.

A reconciliation of fair value measurements using significant unobservable inputs (Level 3) as of August 31, 2016 was as follows:

Changes in Level 3 Category	Hedge Funds
Beginning balance – 9/1/2015	\$ 1,907,832
Purchases	2,000,000
Net losses (realized/unrealized)	(342,791)
Ending balance – 8/31/2016	<u>\$ 3,565,041</u>

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 7. RETIREMENT BENEFITS (CONTINUED)

The following estimates and assumptions were used to determine the fair value of each class of financial instruments listed above.

- *Cash equivalents* – Cash equivalents include cash deposits in investment funds, money market funds, and short-term U.S. Treasury securities, which are actively traded. Cash equivalents are priced using independent market prices in the primary trading market.
- *Equity securities* – Equity investments include stocks, separately held accounts, and mutual funds. These securities are valued daily based on the quoted market price at the end of the business day. These assets, which are grouped by investment objective, consist of publicly traded securities, diversified globally.
- *Fixed income securities* – These assets include mutual funds with fixed income portfolios. These assets are valued using market prices, such as broker quotes, for the same instruments.
- *Alternative investments* – Valued based on information provided by Fund manager.

For the 2018 plan year, MBC’s funding policy is to exceed the minimum funding requirements of ERISA for the fiscal year ending August 31, 2018.

Benefit payments expected to be paid over the next five years and accumulated over the five years thereafter are as follows as of August 31:

2018	\$ 841,911
2019	1,011,477
2020	1,153,653
2021	1,286,438
2022	1,417,418
2023–2027	8,814,800

### NOTE 8. 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. NEA commits the unrestricted resources of the General Operating Fund to fulfill its obligation. NEA’s commitment and the state affiliates’ line of credit is \$6,455,340. 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.

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 9. 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.

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, 2017 and 2016, payments totaling \$1,878,509 and \$1,878,030, 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” in the consolidated statements of activities and changes in net assets for the years ended August 31, 2017 and 2016.

### NOTE 10. NEA HEALTHY FUTURES

NEA Healthy Futures, a legally separate 501(c)(3) not-for-profit organization, was created in 1987 (as NEA Health Information Network) 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 Healthy Futures manages and implements programs that provide health and wellness solutions, advocacy tools, and funding and resource opportunities for NEA members and the education community at large. NEA Healthy Futures secures funds from public and private sources to implement these programs.

NEA Healthy Futures 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 Healthy Futures for the years ended August 31, 2017 and 2016 were \$-0- and \$412,500, respectively.

On March 11, 2016, the NEA Healthy Futures Board of Directors adopted a resolution to dissolve the entity effective August 31, 2016. NEA Healthy Futures sold or transferred all of its tangible and intangible assets in accordance with a dissolution plan adopted by the Board of Directors. All cash and investments remaining after all liabilities were satisfied were transferred to the NFIE.

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 11. 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 provided systems administration, maintenance, software development and facilities management in the amount of \$607,197 and \$581,351 for the years ended August 31, 2017 and 2016, respectively.

### NOTE 12. 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 the FASB Accounting Standards *Income Taxes*. 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 consolidated financial statements are measured based on provisions of enacted tax law.

The provision for Federal and State income taxes is included in MBC's support service expenses on the consolidated statements of activities and changes in net assets and consists of the following:

	<u>2017</u>	<u>2016</u>
Current (provision) benefit		
Federal	\$ 190,682	\$ (447,180)
State	<u>21,501</u>	<u>(48,201)</u>
	<u>212,183</u>	<u>(495,381)</u>
Deferred (provision) benefit		
Federal	(471,224)	846,382
State	<u>(60,401)</u>	<u>51,472</u>
	<u>(531,625)</u>	<u>897,854</u>
Total	<u>\$ (319,442)</u>	<u>\$ 402,473</u>

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 12. INCOME TAXES (CONTINUED)

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

	<u>2017</u>	<u>2016</u>
Federal income tax provision at the statutory rate	\$ 383,090	\$ 411,893
State income tax expense, net of federal benefit	(63,052)	33,390
Permanent differences	(89,323)	(11,579)
Temporary differences	<u>(550,157)</u>	<u>(31,231)</u>
Total	<u>\$ (319,442)</u>	<u>\$ 402,473</u>

At August 31, 2017 and 2016, the deferred tax assets and liabilities represent the tax effects of the following temporary differences:

	<u>2017</u>	<u>2016</u>
Assets		
Deferred income	\$ 655,695	\$ 759,225
Accrued vacation	305,878	289,523
State taxes	350,780	371,317
Other	<u>149,493</u>	<u>161,015</u>
Gross deferred tax assets	<u>1,461,846</u>	<u>1,581,080</u>
Liabilities		
Pension costs	(6,115,713)	(4,111,745)
Other	<u>(49,201)</u>	<u>(171,723)</u>
Gross deferred tax liabilities	<u>(6,164,914)</u>	<u>(4,283,468)</u>
Total	<u>\$ (4,703,068)</u>	<u>\$ (2,702,388)</u>

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

	<u>2017</u>	<u>2016</u>
Current		
Deferred tax asset	\$ 437,527	\$ 404,542
Deferred tax liability	<u>(46,873)</u>	<u>(49,805)</u>
	<u>390,654</u>	<u>354,737</u>
Non-current		
Deferred tax asset	1,024,319	1,060,058
Deferred tax liability	<u>(6,118,041)</u>	<u>(4,117,183)</u>
	<u>(5,093,722)</u>	<u>(3,057,125)</u>
Total	<u>\$ (4,703,068)</u>	<u>\$ (2,702,388)</u>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

### NOTE 13. CHANGE IN PENSION OBLIGATION OTHER THAN NET PERIODIC PENSION COST

The tax effects allocated to each component of the change in actuarial gain (loss) from the MBC defined benefit plan and other charge for the year ended August 31, 2017 and 2016 are:

	2017		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-Tax Amount
Defined Benefit Pension Plan			
Net gain (loss) arising during period	\$ 4,333,595	\$ (1,654,398)	\$ 2,679,197
Recognized gain (loss)	1,836,599	(701,142)	1,135,457
Less: amortization of prior service cost included in net periodic pension cost	<u>694,399</u>	<u>(265,094)</u>	<u>429,305</u>
Total pension related other non-operating income (loss)	<u>\$ 6,864,593</u>	<u>\$ (2,620,634)</u>	<u>\$ 4,243,959</u>
Unrealized gain from investments:			
Unrealized holding gain arising during period	<u>73,738</u>	<u>88,329</u>	<u>162,067</u>
Total unrealized gain from investments	<u>73,738</u>	<u>88,329</u>	<u>162,067</u>
Other non-operating income (loss)	<u>\$ 6,938,331</u>	<u>\$ (2,532,305)</u>	<u>\$ 4,406,026</u>
2016			
	Before-Tax Amount	Tax (Expense) or Benefit	Net-Tax Amount
Defined Benefit Pension Plan			
Net gain (loss) arising during period	\$ (5,004,871)	\$ 1,854,056	\$ (3,150,815)
Recognized gain (loss)	1,251,077	(463,462)	787,615
Less: amortization of prior service cost included in net periodic pension cost	<u>694,399</u>	<u>(257,240)</u>	<u>437,159</u>
Total pension related other non-operating income (loss)	<u>\$ (3,059,395)</u>	<u>\$ 1,133,354</u>	<u>\$ (1,926,041)</u>
Unrealized gain from investments:			
Less: reclassification adjustment for gains (losses) realized in net income (loss)	<u>(188,409)</u>	<u>71,935</u>	<u>(116,474)</u>
Other non-operating income (loss)	<u>\$ (2,895,951)</u>	<u>\$ 1,149,383</u>	<u>\$ (1,746,568)</u>

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 14. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820, *Fair Value Measurements*, are described as follows:

**Level 1** – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

**Level 2** – inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation techniques used for assets measured at fair value:

- *Money market funds* – Valued at cost, which approximates fair value. Valuation is from an unadjusted quoted price;
- *Exchange traded funds* – Valued at the closing price reported in an active market in which the securities are traded; and
- *Mutual funds – equity and fixed income securities* – Valued at trading value on an exchange and is calculated at the end of each business day.



# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

### NOTE 14. FAIR VALUE MEASUREMENTS (CONTINUED)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while NEA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents NEA's fair value hierarchy for financial assets measured on a recurring basis at August 31, 2017:

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange traded funds	\$ 7,043,979	\$ 7,043,979	\$ -	\$ -
Mutual funds – equity securities				
Growth funds	5,744,744	5,744,744	-	-
Value funds	3,513,130	3,513,130	-	-
Blend funds	3,089,244	3,089,244	-	-
Mutual funds – fixed income securities				
U.S. fixed income fund	22,354,291	22,354,291	-	-
	<u>\$41,745,388</u>	<u>\$41,745,388</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents NEA's fair value hierarchy for financial assets measured on a recurring basis at August 31, 2016:

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange traded funds	\$ 6,608,104	\$ 6,608,104	\$ -	\$ -
Mutual funds – equity securities				
Growth funds	4,907,916	4,907,916	-	-
Value funds	9,420,899	9,420,899	-	-
Blend funds	1,782,248	1,782,248	-	-
Mutual funds – fixed income securities				
U.S. fixed income fund	20,586,475	20,586,475	-	-
	<u>\$43,305,642</u>	<u>\$43,305,642</u>	<u>\$ -</u>	<u>\$ -</u>

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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### NOTE 15. DESIGNATED NET ASSETS

Designated net assets consist of the following at August 31:

	<u>2017</u>	<u>2016</u>
NEA Advocacy Fund	\$ 1,418,286	\$ 4,634,389
National Education Employees Assistance Fund	29,928	76,421
UniServ Fund	655,497	654,847
Special Dues Ballot Fund	65,575,509	62,765,244
Special Dues Media Fund	25,100,834	28,592,359
Great Public Schools Fund	5,557,632	4,105,799
Capital Improvement Fund	<u>25,037,465</u>	<u>26,682,479</u>
	<u>\$ 123,375,151</u>	<u>\$ 127,511,538</u>

### NOTE 16. RENTAL INCOME

NEAPI leases office space to various tenants. Certain leases allow for reimbursement of operating costs and/or increase in rent based on increases in real estate taxes and operating expenses. The total rental income for the years ended August 31, 2017 and 2016 were \$1,652,033 and \$1,565,110, respectively.

As of August 31, 2017, the minimum future payments from all non-cancellable leases were as follows:

Year Ending August 31,	
2018	\$ 1,553,370
2019	1,211,500
2020	1,052,831
2021	636,851
2022	609,942
Thereafter	<u>940,029</u>
	<u>\$ 6,004,523</u>

### NOTE 17. SUBSEQUENT EVENTS

Management has performed a subsequent event review from September 1, 2017 to November 29, 2017; the date that the consolidated financial statements were available to be issued. This review revealed no material events or transactions which would require an additional adjustment or disclosure in the accompanying consolidated financial statements.

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## SUPPLEMENTAL SCHEDULE OF FINANCIAL POSITION BY FUND INFORMATION AS OF AUGUST 31, 2017 (WITH COMPARATIVE TOTALS AS OF AUGUST 31, 2016)

	General Operating Fund	Special Purpose Funds	Consolidating Entries	2017 Total Funds	2016 Total Funds
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 84,480,842	\$ 111,714,283	\$ 10,960	\$ 196,206,085	\$ 200,783,125
Membership dues receivable – net	30,879,433	–	–	30,879,433	30,901,684
Amount due from affiliates and other organizations – net	2,485,161	–	(1,048,005)	1,437,156	1,748,220
Accounts receivable	–	7,762,292	–	7,762,292	6,915,286
Notes receivable	1,116,666	–	–	1,116,666	1,050,000
Prepaid expenses	5,183,040	1,714,234	–	6,897,274	10,673,830
Amount due from other funds	1,471	–	(1,471)	–	–
Amount due from general fund	–	28,888,607	(28,888,607)	–	–
Deferred income taxes	–	390,654	–	390,654	354,737
Other current assets	322,368	–	–	322,368	308,810
Total current assets	<u>124,468,981</u>	<u>150,470,070</u>	<u>(29,927,123)</u>	<u>245,011,928</u>	<u>252,735,692</u>
<b>LONG-TERM ASSETS</b>					
Notes receivable – net	4,385,432	–	–	4,385,432	5,324,320
Deferred rent assets	–	247,832	–	247,832	282,615
Deferred leasing commission	–	221,844	–	221,844	140,438
Investments	–	41,745,388	–	41,745,388	43,305,642
Pension asset	–	16,019,741	–	16,019,741	10,770,466
Property and equipment – net	4,978,442	59,132,244	–	64,110,686	68,126,355
Total long-term assets	<u>9,363,874</u>	<u>117,367,049</u>	<u>–</u>	<u>126,730,923</u>	<u>127,949,836</u>
<b>TOTAL ASSETS</b>	<u>\$ 133,832,855</u>	<u>\$ 267,837,119</u>	<u>\$ (29,927,123)</u>	<u>\$ 371,742,851</u>	<u>\$ 380,685,528</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 6,459,508	\$ 6,558,787	\$ (1,037,045)	\$ 11,981,250	\$ 23,809,950
Accrued liabilities	7,986,468	2,355,277	–	10,341,745	18,916,936
Deferred income	–	1,681,770	–	1,681,770	1,668,039
Accrued annual leave	6,366,763	–	–	6,366,763	6,727,847
Amount due to other funds	28,888,607	–	(28,888,607)	–	–
Amount due to general fund	–	1,471	(1,471)	–	–
Amount held for affiliates and other organizations	1,235,263	–	–	1,235,263	1,149,288
Total current liabilities	<u>50,936,609</u>	<u>10,597,305</u>	<u>(29,927,123)</u>	<u>31,606,791</u>	<u>52,272,060</u>
<b>LONG-TERM LIABILITIES</b>					
Grant commitment	–	–	–	–	400,000
Accrued severance payable	6,042,740	–	–	6,042,740	5,873,707
Deferred income	–	15,752,126	–	15,752,126	16,252,183
Deferred income taxes	–	5,093,722	–	5,093,722	3,057,125
Total long-term liabilities	<u>6,042,740</u>	<u>20,845,848</u>	<u>–</u>	<u>26,888,588</u>	<u>25,583,015</u>
<b>TOTAL LIABILITIES</b>	<u>56,979,349</u>	<u>31,443,153</u>	<u>(29,927,123)</u>	<u>58,495,379</u>	<u>77,855,075</u>
<b>UNRESTRICTED NET ASSETS</b>					
Undesignated net assets	76,853,506	113,018,815	–	189,872,321	175,318,915
Designated net assets	–	123,375,151	–	123,375,151	127,511,538
Total unrestricted net assets	<u>76,853,506</u>	<u>236,393,966</u>	<u>–</u>	<u>313,247,472</u>	<u>302,830,453</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 133,832,855</u>	<u>\$ 267,837,119</u>	<u>\$ (29,927,123)</u>	<u>\$ 371,742,851</u>	<u>\$ 380,685,528</u>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES AND SUBSIDIARIES

## SUPPLEMENTAL SCHEDULE OF FINANCIAL POSITION BY SPECIAL PURPOSE FUND INFORMATION AS OF AUGUST 31, 2017 (WITH COMPARATIVE TOTALS AS OF AUGUST 31, 2016)

	Related Entity Special Purpose Funds	Bylaw Special Purpose Funds	Other Special Purpose Funds	2017 Total Funds	2016 Total Funds
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 15,910,792	\$ 82,013,871	\$ 13,789,620	\$ 111,714,283	\$ 131,513,804
Accounts receivable	7,727,783	–	34,509	7,762,292	6,915,286
Prepaid expenses	1,714,234	–	–	1,714,234	2,296,016
Amount due from general fund	17,916	16,810,863	12,059,828	28,888,607	19,412,643
Deferred income taxes	390,654	–	–	390,654	354,737
Total current assets	<u>25,761,379</u>	<u>98,824,734</u>	<u>25,883,957</u>	<u>150,470,070</u>	<u>160,492,486</u>
<b>LONG-TERM ASSETS</b>					
Deferred rent assets	247,832	–	–	247,832	282,615
Deferred leasing commission	221,844	–	–	221,844	140,438
Investments	6,073,505	–	35,671,883	41,745,388	43,305,642
Pension asset	16,019,741	–	–	16,019,741	10,770,466
Property and equipment - net	34,094,779	25,037,465	–	59,132,244	62,841,434
Total long-term assets	<u>56,657,701</u>	<u>25,037,465</u>	<u>35,671,883</u>	<u>117,367,049</u>	<u>117,340,595</u>
<b>TOTAL ASSETS</b>	<u>\$ 82,419,080</u>	<u>\$ 123,862,199</u>	<u>\$ 61,555,840</u>	<u>\$ 267,837,119</u>	<u>\$ 277,833,081</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 5,587,022	\$ 971,630	\$ 135	\$ 6,558,787	\$ 15,518,354
Accrued liabilities	1,391,498	963,632	147	2,355,277	6,326,171
Deferred income	641,262	–	1,040,508	1,681,770	1,668,039
Amount due to general fund	–	–	1,471	1,471	5,284,231
Total current liabilities	<u>7,619,782</u>	<u>1,935,262</u>	<u>1,042,261</u>	<u>10,597,305</u>	<u>28,796,795</u>
<b>LONG-TERM LIABILITIES</b>					
Deferred income	1,506,311	–	14,245,815	15,752,126	16,252,183
Deferred income taxes	5,093,722	–	–	5,093,722	3,057,125
Total long-term liabilities	<u>6,600,033</u>	<u>–</u>	<u>14,245,815</u>	<u>20,845,848</u>	<u>19,309,308</u>
Total liabilities	<u>14,219,815</u>	<u>1,935,262</u>	<u>15,288,076</u>	<u>31,443,153</u>	<u>48,106,103</u>
<b>UNRESTRICTED NET ASSETS</b>					
Undesignated net assets	66,751,051	–	46,267,764	113,018,815	102,215,440
Designated net assets	1,448,214	121,926,937	–	123,375,151	127,511,538
Total unrestricted net assets	<u>68,199,265</u>	<u>121,926,937</u>	<u>46,267,764</u>	<u>236,393,966</u>	<u>229,726,978</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 82,419,080</u>	<u>\$ 123,862,199</u>	<u>\$ 61,555,840</u>	<u>\$ 267,837,119</u>	<u>\$ 277,833,081</u>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## GENERAL OPERATING FUND – SUPPLEMENTAL SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2017

	<b>Budget (Unaudited)</b>	<b>Actual</b>
<b>UNRESTRICTED REVENUES</b>		
Membership income	\$ 366,567,200	\$ 368,161,996
Other income	590,000	368,172
NFIE endowment allocation	(1,902,800)	(1,878,509)
<b>TOTAL UNRESTRICTED REVENUES</b>	<u>365,254,400</u>	<u>366,651,659</u>
<b>EXPENSES BY STRATEGIC GOALS AND CORE FUNCTION AREAS</b>		
<b>Goals' Shared Tactics</b>		
1. Organize for educator empowerment by engaging educators in the use of collective power to create opportunities for educators' voices to be elevated on issues that matter to them	7,317,108	5,633,621
2. Partner with affiliates to support Association and member led initiatives that involve key education stakeholders to assure quality public educational options	1,972,833	1,402,902
3. Partner with affiliates to develop message strategies and train messengers to engage stakeholders and shape narrative on students having better outcomes and public education having a stronger impact	325,823	225,100
4. Develop a system for integrating and managing data to support the identification of threats and opportunities and to enhance effectiveness in member engagement	12,354,711	14,371,699
<b>Total Goals' Shared Tactics</b>	<u>21,970,475</u>	<u>21,633,322</u>
<b>Strong Affiliates for Educator Voice and Empowerment</b>		
1. Partner with affiliates to advance political, legislative and issue campaigns that secure educator voice	35,871,873	38,575,219
2. Partner with affiliates to secure opportunities to codify the inclusion of educator voice in decision-making	334,909	494,623
3. Partner with affiliates to achieve financial stability and sustainable fiscal health	536,684	558,438
<b>Total Strong Affiliates for Educator Voice and Empowerment</b>	<u>36,743,466</u>	<u>39,628,280</u>
<b>Empowered Educators for Successful Students</b>		
1. Partner with affiliates to assure quality professional practice among educators	11,671,398	11,140,309
2. Partner with affiliates to improve affiliate capacity for assuring quality professional practice and growth	4,640,405	4,414,329
3. Partner with affiliates to engage members in assuring quality public education and student-centered policies and practices	1,978,366	1,146,774
4. Partner with affiliates to improve member capacity to raise their voices and participate in education decision making that shape teaching and learning	1,784,015	1,296,909
<b>Total Empowered Educators for Successful Students</b>	<u>20,074,184</u>	<u>17,998,321</u>
<b>Research, Policy, and Practice</b>		
1. Analyze federal legislation and regulations and advocate and provide information and technical assistance for affiliates and members	465,983	696,315
2. Provide research, information, and expertise to support efforts to improve teaching and learning	1,038,942	1,666,830
<b>Total Research, Policy, and Practice</b>	<u>1,504,925</u>	<u>2,363,145</u>
<b>Organizing</b>		
1. In partnership with state and local affiliates, parents, and communities, NEA will organize to grow and strengthen the Association at all levels	101,998,645	99,573,985
<b>Total Organizing</b>	<u>101,998,645</u>	<u>99,573,985</u>

(continued)

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## GENERAL OPERATING FUND – SUPPLEMENTAL SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2017

	<b>Budget (Unaudited)</b>	<b>Actual</b>
<b>Advocacy and Outreach</b>		
1. Advance and pass pro-public education legislation and policy maintaining focus on students most in need	\$ 2,348,342	\$ 4,763,726
2. Provide legal services and insurance programs to support employees, members, students, state affiliates and external partnerships	44,788,239	40,736,791
3. Conduct a strategic approach to outreach that leads to meaningful partnerships and organizing opportunities	7,322,544	6,329,625
4. Mobilize and empower educators through Association-led leadership training and development	2,228,483	1,335,325
5. Support the Association's efforts to achieve Great Public Schools through federal legislation	1,098,481	417,669
6. Provide technical assistance and support to NEA leaders to advance policy and practice that supports NEA's mission, vision, and core values	<u>956,258</u>	<u>174,377</u>
<b>Total Advocacy and Outreach</b>	<u>58,742,347</u>	<u>53,757,513</u>
<b>Communications</b>		
1. Develop national communications strategies, resources, and tools to build capacity in state affiliates and partner with them to conduct political, legislative, and issue campaigns	1,391,292	1,299,449
2. Develop multi-level communications strategies, leverage resources, and tools to build capacity to increase member engagement and activism; design and execute strategic multi-disciplinary communications campaigns	1,007,041	579,650
3. Plan and execute special projects and events that strengthen the NEA brand and reputation	789,400	957,702
4. Provide affiliate communications strategic support, training, and services	4,155,077	4,084,392
5. Provide communication capabilities assessment, strategic planning, personnel training, product production, campaign execution support, and campaign performance analysis	910,571	823,960
6. Plan and execute strategic communications initiatives for NEA projects, for organizing campaign, and produce its member publications	<u>25,729,768</u>	<u>25,768,012</u>
<b>Total Communications</b>	<u>33,983,149</u>	<u>33,513,165</u>
<b>Business Operations</b>		
1. Provide financial and legal support to NEA and affiliates to enhance ability to conduct Association business and meet regulatory requirements	15,426,532	20,066,388
2. Provide human resources support to workforce planning and manage human capital operations	10,688,861	8,237,590
3. Provide infrastructure and organization support to lead, direct, and align NEA's programs and services	11,580,692	15,755,126
4. Provide organization and strategy development by conducting on-going Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis	5,733,914	6,592,195
5. Provide technology support to applications, systems, infrastructure and delivery of technology-related products and services for current and future needs of the Association	16,101,535	16,102,583
6. Provide facility management, operational support, meeting logistics and print media production	<u>13,805,126</u>	<u>13,696,640</u>
<b>Total Business Operations</b>	<u>73,336,660</u>	<u>80,450,522</u>
<b>Governance</b>		
1. Facilitate and support well-informed decision making by the Executive Officers and Committee, Board of Directors, and Representative Assembly	9,404,119	8,844,672
2. Engage, support, and align well-informed deliberations of appointed committees and councils	555,815	485,080
3. Engage the voice of Association leadership to align priorities and relationships that advance NEA's goals	1,622,079	1,331,182
4. Develop, identify and deliver competency-based leadership development	<u>3,368,461</u>	<u>3,322,442</u>
<b>Total Governance</b>	<u>14,950,474</u>	<u>13,983,376</u>
<b>Total Operating Fund Expenses</b>	<u>363,304,325</u>	<u>362,901,629</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ 1,950,075</u>	<u>\$ 3,750,031</u>
<b>NET ASSETS</b>		
<b>BEGINNING OF YEAR</b>		<u>73,103,475</u>
<b>END OF YEAR</b>		<u>\$ 76,853,506</u>

(concluded)

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## NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

### GENERAL OPERATING FUND – SUPPLEMENTAL SCHEDULES OF EXPENSES BY TYPE FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
Salaries and benefits	\$ 119,672,764	\$ 117,846,289
Grants to, and joint projects with, state and local associations	112,886,885	111,928,463
Kate Frank/DuShane Unified Legal Services Program	20,330,343	20,405,453
Travel	15,942,622	16,009,417
Publication costs, net of advertising income	2,097,075	2,292,323
Outside services (including Educators Employment Liability Insurance, Media Program, consultants)	38,439,625	39,708,540
Conference and meetings	9,820,009	10,754,625
Machinery rentals, repairs, materials and supplies	4,670,374	6,321,176
Office and administrative	<u>39,041,932</u>	<u>32,531,414</u>
TOTAL EXPENSES BY TYPE	<u>\$ 362,901,629</u>	<u>\$ 357,797,700</u>



# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## SPECIAL PURPOSE FUNDS – SUPPLEMENTAL SCHEDULES OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	<u>Related Entity Special Purpose Funds</u>	<u>Bylaw Special Purpose Funds</u>	<u>Other Special Purpose Funds</u>	<u>Total</u>
NET ASSETS				
September 1, 2015	\$ 60,843,611	\$ 132,004,091	\$ 37,706,714	\$ 230,554,416
Revenue				
NEA Appropriation	12,184,000	101,805,738	9,199,771	123,189,509
MBC Program revenue	53,828,380	–	–	53,828,380
Other	1,658,392	15,247	4,279,950	5,953,589
Expenses	(66,727,081)	(111,024,348)	(4,300,919)	(182,052,348)
Change in pension obligations other than net periodic pension cost and other charge	(1,746,568)	–	–	(1,746,568)
Investments in NEA360 LLC	<u>10,000,000</u>	<u>–</u>	<u>(10,000,000)</u>	<u>–</u>
NET ASSETS				
August 31, 2016	70,040,734	122,800,728	36,885,516	229,726,978
Revenue				
NEA Appropriation	7,009,000	107,077,384	17,079,767	131,166,151
MBC Program revenue	54,293,972	–	–	54,293,972
Other	2,075,093	3,344	3,671,698	5,750,135
Expenses	(77,625,560)	(107,954,519)	(3,369,217)	(188,949,296)
Change in pension obligations other than net periodic pension cost and other charge	4,406,026	–	–	4,406,026
Investments in NEA360 LLC	<u>8,000,000</u>	<u>–</u>	<u>(8,000,000)</u>	<u>–</u>
NET ASSETS				
August 31, 2017	<u>\$ 68,199,265</u>	<u>\$ 121,926,937</u>	<u>\$ 46,267,764</u>	<u>\$ 236,393,966</u>

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**2017–2018  
INTERIM  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## GENERAL OPERATING AND CAPITAL IMPROVEMENT FUNDS STATEMENTS OF FINANCIAL POSITION (UNAUDITED) AS OF APRIL 30, 2018

	General Operating Fund	Capital Improvement Fund
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 81,217,371	\$ —
Cash held for Special Purpose Funds	19,871,813	—
Membership dues receivable – net	154,775,364	—
Amount due from affiliates and other organizations – net	1,907,868	—
Notes receivable	1,116,666	—
Prepaid expenses	7,861,866	—
Other current assets	431,536	—
Total current assets	<u>267,182,484</u>	<u>—</u>
<b>LONG-TERM ASSETS</b>		
Notes receivable – net	4,790,987	—
Equipment – net	4,675,061	—
Land	—	1,753,777
Building – net	—	22,177,293
Total long-term assets	<u>9,466,048</u>	<u>23,931,070</u>
Total Assets	<u>\$ 276,648,532</u>	<u>\$ 23,931,070</u>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Deferred membership dues	\$ 124,908,504	\$ —
Accounts payable	1,505,776	—
Accrued liabilities	2,757,506	—
Accrued annual leave	5,842,567	—
Amount held for affiliates and other organizations	1,363,482	—
Amount due to other funds	19,871,813	—
Total current liabilities	<u>156,249,648</u>	<u>—</u>
<b>LONG-TERM LIABILITIES</b>		
Accrued severance payable	5,117,969	—
Total long-term liabilities	<u>5,117,969</u>	<u>—</u>
Total liabilities	<u>161,367,617</u>	<u>—</u>
<b>UNRESTRICTED NET ASSETS</b>		
Undesignated net assets	110,865,745	—
Undesignated net assets held for USLP stabilization	1,187,500	—
Undesignated net assets held for Education Assistance Fund	3,227,670	—
Designated net assets	—	23,931,070
Total net assets	<u>115,280,915</u>	<u>23,931,070</u>
Total Liabilities and Net Assets	<u>\$ 276,648,532</u>	<u>\$ 23,931,070</u>

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## GENERAL OPERATING FUND – STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (UNAUDITED) FOR THE EIGHT MONTHS ENDED APRIL 30, 2018 AND PROJECTIONS FOR THE REMAINING FOUR MONTHS ENDING AUGUST 31, 2018

	Actual Eight Months Ended 4/30/2018	Projected Four Months Ending 8/31/2018	Projected Total for Fiscal Year	Annual Budget
<b>REVENUES</b>				
Membership Income	\$ 249,889,267	\$ 120,894,737	\$ 370,784,004	\$ 367,995,300
Other Income	611,931	200,000	811,931	590,000
NFIE Endowment Allocation	(1,256,867)	(650,433)	(1,907,300)	(1,885,300)
<b>TOTAL UNRESTRICTED REVENUES</b>	<b>249,244,331</b>	<b>120,444,304</b>	<b>369,688,635</b>	<b>366,700,000</b>
<b>EXPENSES BY STRATEGIC GOALS AND CORE FUNCTIONS</b>				
<b>Goals' Shared Tactics</b>				
1. Organize for educator empowerment by engaging educators in the use of collective power to create opportunities for educators' voices to be elevated on issues that matter to them	3,020,514	3,373,063	6,393,577	8,014,025
2. Partner with affiliates to support Association and member led initiatives that involve key education stakeholders to assure quality public educational options	725,818	689,474	1,415,292	1,961,510
3. Partner with affiliates to develop message strategies and train messengers to engage stakeholders and shape narrative on students having better outcomes and public education having a stronger impact	118,628	156,405	275,033	329,481
4. Develop a system for integrating and managing data to support the identification of threats and opportunities and to enhance effectiveness in member engagement	7,275,367	6,844,914	14,120,281	11,980,072
<b>Total Goals' Shared Tactics</b>	<b>11,140,327</b>	<b>11,063,856</b>	<b>22,204,183</b>	<b>22,285,088</b>
<b>Strong Affiliates for Educator Voice and Empowerment</b>				
1. Partner with affiliates to advance political, legislative and issue campaigns that secure educator voice	21,993,766	14,063,328	36,057,094	35,284,430
2. Partner with affiliates to secure opportunities to codify the inclusion of educator voice in decision-making	673,650	803,898	1,477,548	735,074
3. Partner with affiliates to achieve financial stability and sustainable fiscal health	284,153	222,786	506,939	1,038,708
<b>Total Strong Affiliates for Educator Voice and Empowerment</b>	<b>22,951,569</b>	<b>15,090,012</b>	<b>38,041,581</b>	<b>37,058,212</b>
<b>Empowered Educators for Successful Students</b>				
1. Partner with affiliates to assure quality professional practice among educators	7,830,769	4,518,233	12,349,002	12,829,192
2. Partner with affiliates to improve affiliate capacity for assuring quality professional practice and growth	3,107,329	1,765,640	4,872,969	4,473,232
3. Partner with affiliates to engage members in assuring quality public education and student-centered policies and practices	30,810	61,945	92,755	556,702
4. Partner with affiliates to improve member capacity to raise their voices and participate in education decision making that shape teaching and learning	898,389	1,049,202	1,947,591	1,702,137
<b>Total Empowered Educators for Successful Students</b>	<b>11,867,297</b>	<b>7,395,020</b>	<b>19,262,317</b>	<b>19,561,263</b>
<b>Research, Policy, and Practice</b>				
1. Analyze federal legislation and regulations and advocate and provide information and technical assistance for affiliates and members	328,291	319,367	647,658	522,526
2. Provide research, information, and expertise to support efforts to improve teaching and learning	976,933	772,754	1,749,687	1,170,400
<b>Total Research, Policy, and Practice</b>	<b>1,305,224</b>	<b>1,092,121</b>	<b>2,397,345</b>	<b>1,692,926</b>
<b>Organizing</b>				
1. In partnership with state and local affiliates, parents, and communities, NEA will organize to grow and strengthen the Association at all levels	61,984,622	40,244,739	102,229,361	101,621,420
<b>Total Organizing</b>	<b>61,984,622</b>	<b>40,244,739</b>	<b>102,229,361</b>	<b>101,621,420</b>

(continued)

# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## GENERAL OPERATING FUND – STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (UNAUDITED) FOR THE EIGHT MONTHS ENDED APRIL 30, 2018 AND PROJECTIONS FOR THE REMAINING FOUR MONTHS ENDING AUGUST 31, 2018

	Actual Eight Months Ended 4/30/2018	Projected Four Months Ending 8/31/2018	Projected Total for Fiscal Year	Annual Budget
<b>Advocacy and Outreach</b>				
1. Advance and pass pro-public education legislation and policy maintaining focus on students most in need	\$ 1,852,350	\$ 1,228,562	\$ 3,080,912	\$ 2,394,172
2. Provide legal services and insurance programs to support employees, members, students, state affiliates and external partnerships	23,969,748	17,856,618	41,826,366	45,003,445
3. Conduct a strategic approach to outreach that leads to meaningful partnerships and organizing opportunities	3,879,968	3,807,719	7,687,687	7,354,936
4. Mobilize and empower educators through Association-led leadership training and development	1,440,981	551,044	1,992,025	2,240,244
5. Support the Association's efforts to achieve Great Public Schools through federal legislation	253,612	238,612	492,224	1,123,297
6. Provide technical assistance and support to NEA leaders to advance policy and practice that supports NEA's mission, vision, and core values	84,407	187,310	271,717	951,323
<b>Total Advocacy and Outreach</b>	<u>31,481,066</u>	<u>23,869,865</u>	<u>55,350,931</u>	<u>59,067,417</u>
<b>Communications</b>				
1. Develop national communications strategies, resources, and tools to build capacity in state affiliates and partner with them to conduct political, legislative, and issue campaigns	987,320	692,421	1,679,741	1,358,379
2. Develop multi-level communications strategies, leverage resources, and tools to build capacity to increase member engagement and activism; design and execute strategic multi-disciplinary communications campaigns	369,981	381,963	751,944	1,074,201
3. Plan and execute special projects and events that strengthen the NEA brand and reputation	436,471	296,774	733,245	797,577
4. Provide affiliate communications strategic support, training, and services	2,529,722	1,472,457	4,002,179	4,133,533
5. Provide communication capabilities assessment, strategic planning, personnel training, product production, campaign execution support, and campaign performance analysis	651,966	672,978	1,324,944	1,316,553
6. Plan and execute strategic communications initiatives for NEA projects, for organizing campaign, and produce its member publications	15,176,963	10,202,985	25,379,948	25,551,565
<b>Total Communications</b>	<u>20,152,423</u>	<u>13,719,578</u>	<u>33,872,001</u>	<u>34,231,808</u>
<b>Business Operations</b>				
1. Provide financial and legal support to NEA and affiliate to enhance ability to conduct Association business and meet regulatory requirements	9,167,547	9,759,642	18,927,189	15,220,222
2. Provide human resources support to workforce planning and manage human capital operations	4,571,429	3,026,520	7,597,949	11,656,002
3. Provide infrastructure and organization support to lead, direct, and align NEA's programs and services	8,077,041	5,924,946	14,001,987	11,163,403
4. Provide organization and strategy development by conducting on-going Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis	4,092,322	2,463,201	6,555,523	6,140,699
5. Provide technology support to applications, systems, infrastructure and delivery of technology-related products and services for current and future needs of the Association	10,761,707	7,422,579	18,184,286	16,360,130
6. Provide facility management, operational support, meeting logistics and print media production	5,558,402	7,456,449	13,014,851	14,014,902
<b>Total Business Operations</b>	<u>42,228,448</u>	<u>36,053,337</u>	<u>78,281,785</u>	<u>74,555,358</u>
<b>Governance</b>				
1. Facilitate and support well-informed decision making by the Executive Officers and Committee, Board of Directors, and Representative Assembly	4,976,162	4,403,586	9,379,748	9,446,135
2. Engage, support, and align well-informed deliberations of appointed committees and councils	305,401	175,267	480,668	560,119
3. Engage the voice of Association leadership to align priorities and relationships that advance NEA's goals	825,382	521,457	1,346,839	1,323,870
4. Develop, identify and deliver competency-based leadership development	1,599,000	2,003,178	3,602,178	3,399,665
<b>Total Governance</b>	<u>7,705,945</u>	<u>7,103,488</u>	<u>14,809,433</u>	<u>14,729,789</u>
<b>Total Operating Fund Expenses</b>	<u>210,816,921</u>	<u>155,632,016</u>	<u>366,448,937</u>	<u>364,803,281</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ 38,427,410</u>	<u>\$ (35,187,712)</u>	<u>\$ 3,239,698</u>	<u>\$ 1,896,719</u>

(concluded)

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# NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES

## GENERAL OPERATING FUND – CONTINGENCY FUND EXPENDITURES AS OF MAY 31, 2018

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<u>Amount</u>	<u>Governance Approval</u>	<u>Purpose</u>
\$ 3,000,000		Beginning Balance
<u>(1,103,281)</u>	Approved at the October Board of Directors' Meeting	To fund the implementation of 2017 Representative Assembly New Business Items
<u>\$ 1,896,719</u>		Available Balance



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## **MEMBERSHIP COMPARISON BY STATE**

STATE	ACTIVE			Other Memberships*			Total Memberships		
	Professional, ESP and Life								
	2016-2017	2015-2016	Increase (Decrease)	2016-2017	2015-2016	Increase (Decrease)	2016-2017	2015-2016	Increase (Decrease)
ALABAMA	53,071	51,492	1,579	26,306	26,940	(634)	79,377	78,432	945
ALASKA	11,272	11,274	(2)	1,810	1,747	63	13,082	13,021	61
ARIZONA	15,870	15,362	508	2,697	3,153	(456)	18,567	18,515	52
ARKANSAS	8,363	9,012	(649)	2,455	2,422	33	10,818	11,434	(616)
CALIFORNIA	318,219	306,148	12,071	18,734	18,547	187	336,953	324,695	12,258
COLORADO	31,884	32,674	(790)	4,394	4,325	69	36,278	36,999	(721)
CONNECTICUT	37,994	37,776	218	6,216	6,202	14	44,210	43,978	232
DELAWARE	11,994	11,639	355	1,314	1,353	(39)	13,308	12,992	316
DISTRICT OF COLUMBIA	286	288	(2)	1,210	1,168	42	1,496	1,456	40
FEDERAL	5,174	5,201	(27)	602	589	13	5,776	5,790	(14)
FLORIDA	127,287	123,312	3,975	5,397	5,433	(36)	132,684	128,745	3,939
GEORGIA	22,120	22,618	(498)	5,126	5,053	73	27,246	27,671	(425)
HAWAII	12,619	12,620	(1)	6,391	6,435	(44)	19,010	19,055	(45)
IDAHO	8,550	8,300	250	2,030	1,948	82	10,580	10,248	332
ILLINOIS	128,593	127,688	905	12,120	12,128	(8)	140,713	139,816	897
INDIANA	33,704	33,796	(92)	5,726	5,787	(61)	39,430	39,583	(153)
IOWA	34,691	34,758	(67)	2,541	2,490	51	37,232	37,248	(16)
KANSAS	20,661	21,042	(381)	3,656	3,477	179	24,317	24,519	(202)
KENTUCKY	28,497	28,978	(481)	15,353	14,562	791	43,850	43,540	310
LOUISIANA	9,416	9,100	316	1,065	1,062	3	10,481	10,162	319
MAINE	17,990	17,920	70	5,442	5,456	(14)	23,432	23,376	56
MARYLAND	70,045	68,954	1,091	3,504	3,488	16	73,549	72,442	1,107
MASSACHUSETTS	104,674	103,822	852	10,760	10,832	(72)	115,434	114,654	780
MICHIGAN	90,412	94,677	(4,265)	36,515	36,990	(475)	126,927	131,667	(4,740)
MINNESOTA	78,103	77,016	1,087	13,189	13,016	173	91,292	90,032	1,260
MISSISSIPPI	4,762	4,847	(85)	2,516	2,476	40	7,278	7,323	(45)
MISSOURI	25,957	25,793	164	6,102	6,094	8	32,059	31,887	172
MONTANA	17,055	16,953	102	1,599	1,751	(152)	18,654	18,704	(50)
NEBRASKA	20,636	20,802	(166)	7,211	7,101	110	27,847	27,903	(56)
NEVADA	21,468	21,758	(290)	1,624	1,602	22	23,092	23,360	(268)

STATE	ACTIVE			Other Memberships*			Total Memberships		
	Professional, ESP and Life								
	2016-2017	2015-2016	Increase (Decrease)	2016-2017	2015-2016	Increase (Decrease)	2016-2017	2015-2016	Increase (Decrease)
NEW HAMPSHIRE	15,144	15,074	70	1,840	1,840	0	16,984	16,914	70
NEW JERSEY	173,105	173,157	(52)	29,303	29,477	(174)	202,408	202,634	(226)
NEW MEXICO	7,231	7,476	(245)	1,332	1,360	(28)	8,563	8,836	(273)
NEW YORK	409,224	402,991	6,233	6,104	6,084	20	415,328	409,075	6,253
NORTH CAROLINA	19,729	21,494	(1,765)	10,832	11,424	(592)	30,561	32,918	(2,357)
NORTH DAKOTA	8,625	8,647	(22)	1,948	1,925	23	10,573	10,572	1
OHIO	113,403	111,677	1,726	9,048	9,086	(38)	122,451	120,763	1,688
OKLAHOMA	16,667	17,495	(828)	2,445	2,348	97	19,112	19,843	(731)
OREGON	42,475	41,643	832	2,993	2,817	176	45,468	44,460	1,008
PENNSYLVANIA	144,278	143,629	649	35,447	35,076	371	179,725	178,705	1,020
RHODE ISLAND	9,670	9,366	304	2,324	2,371	(47)	11,994	11,737	257
SOUTH CAROLINA	5,928	6,189	(261)	2,446	2,736	(290)	8,374	8,925	(551)
SOUTH DAKOTA	4,883	4,760	123	1,609	1,565	44	6,492	6,325	167
TENNESSEE	26,595	28,802	(2,207)	12,261	12,422	(161)	38,856	41,224	(2,368)
TEXAS	38,795	41,347	(2,552)	3,325	2,844	481	42,120	44,191	(2,071)
UTAH	15,038	15,004	34	2,209	2,037	172	17,247	17,041	206
UTAH-USEA	3,849	4,173	(324)	76	71	5	3,925	4,244	(319)
VERMONT	12,751	12,358	393	1,359	1,364	(5)	14,110	13,722	388
VIRGINIA	40,225	41,173	(948)	5,806	5,962	(156)	46,031	47,135	(1,104)
WASHINGTON	87,935	85,521	2,414	7,472	6,863	609	95,407	92,384	3,023
WEST VIRGINIA	7,955	8,430	(475)	1,475	1,485	(10)	9,430	9,915	(485)
WISCONSIN	32,130	33,785	(1,655)	12,677	12,603	74	44,807	46,388	(1,581)
WYOMING	4,908	5,049	(141)	1,194	1,129	65	6,102	6,178	(76)
DIRECT**	117	118	(1)	43	46	(3)	160	164	(4)
GRAND TOTALS	2,612,027	2,594,978	17,049	369,173	368,562	611	2,981,200	2,963,540	17,660

\* Includes Substitute, Staff, Reserve, Student and Retired Memberships (Pre-Retired excluded)

\*\* In general, this category refers to those members ineligible for state membership such as administrators, private schools, etc., who join NEA directly, not through a local affiliate.









