



New York State Public Employees Federation and Subsidiaries Financial Statements and Other Financial Information July 31, 2007



11 British American Blvd., Latham, NY 12110

INDEPENDENT AUDITOR'S REPORT

Officers and Trustees
New York State Public Employees
Federation

We have audited the accompanying consolidated statements of financial position of the New York State Public Employees Federation and Subsidiaries (the Federation) as of March 31, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit

includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Federation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the New York State Public Employees Federation and Subsidiaries as of March 31, 2007 and

2006, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating statement of financial position, the consolidating statement of activities, and the schedules of consolidated detail of expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Marvin and Company, P.C.

August 21, 2007

NEW YORK STATE PUBLIC EMPLOYEES FEDERATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION March 31, 2007 and 2006

ASSETS	2007	2006
	Current Assets	
Cash and cash equivalents		
Undesignated	\$ 1,836,402	\$ 3,298,722
Board designated	3,170,949	3,096,941
Investment securities	2,081,348	2,183,977
Membership dues and agency shop fees receivable	668,808	620,060
Other receivables	601,612	532,321
Prepaid expenses	212,261	168,368
Total Current Assets	<u>8,571,380</u>	<u>9,900,389</u>
Property, Plant and Equipment		
Land	165,905	165,905
Building	1,844,512	1,844,512
Building improvements	1,177,342	1,159,842
Furniture, fixtures and equipment	1,478,627	1,435,147
Automobiles	29,997	28,122
Computer equipment	652,390	541,902
Total	5,348,773	5,175,430
Less accumulated depreciation	<u>3,838,673</u>	<u>3,422,285</u>
Net Property, Plant and Equipment	<u>1,510,100</u>	<u>1,753,145</u>
Other Assets	<u>50,086</u>	<u>118,222</u>
TOTAL ASSETS	<u>\$ 10,131,566</u>	<u>\$ 11,771,756</u>

See accompanying notes to consolidated financial statements

NEW YORK STATE PUBLIC EMPLOYEES FEDERATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION MARCH 31, 2007 AND 2006

LIABILITIES AND NET ASSETS	2007	2006
Current Liabilities		
Due to affiliates	\$ 3,257,951	\$ 4,072,439
Capital lease obligation, current portion	144,066	109,080
Accounts payable	1,164,148	1,811,619
Earned organizational leave	261,648	362,743
Other accrued liabilities	948,405	625,868
Accrued vacation	798,340	712,351
Accrued post-retirement benefits	316,862	226,091
Divisional distributions payable	135,146	196,966
Deferred revenue	1,190	2,496
Total Current Liabilities	<u>7,027,756</u>	<u>8,119,653</u>
Long-Term Liabilities		
Capital lease obligation, net of current maturities	190,275	334,341
Accrued post-retirement benefits	<u>2,359,884</u>	<u>2,210,496</u>
Total Long-Term Liabilities	<u>2,550,159</u>	<u>2,544,837</u>
Total Liabilities	<u>9,577,915</u>	<u>10,664,490</u>
Net Assets		
Unrestricted	(2,909,812)	(2,249,045)
Unrestricted - board designated	3,170,949	3,096,941
Temporarily restricted	292,514	259,370
Total Net Assets	<u>553,651</u>	<u>1,107,266</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,131,566</u>	<u>\$ 11,771,756</u>

See accompanying notes to consolidated financial statements.

NEW YORK STATE PUBLIC EMPLOYEES FEDERATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2007 and 2006

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New York State Public Employees Federation (PEF) is affiliated with the American Federation of Teachers (AFT) and the Service Employees International Union (SEIU). It is a self-governing unit representing predominantly the professional, scientific and technical employees of the State of New York. The majority of revenues are from membership dues and agency shop fees.

The consolidated financial statements include the accounts of PEF and its subsidiaries, and PEF Land Holding Corporation. The accounts of PEF include a general fund, a political action fund, a Committee on Political Education (COPE) fund and a plant fund. PEF Land Holding Corporation is a not-for-profit corporation formed to hold title to the land and office building used to house PEF's headquarters. All material interfund accounts and transactions between the entities have been eliminated in arriving at the consolidated totals.

PEF and its subsidiaries adhere to U.S. generally accepted

accounting principles as described in the American Institute of Certified Public Accountants (AICPA) Industry Audit and Accounting Guide, Not-for-Profit Organizations. Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Changes in unrestricted net assets include certain contributions whose donor imposed restrictions are met during the fiscal year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statement of activities as net assets released from restrictions.

Income Taxes

PEF is a labor union exempt from federal income tax under Section 501(c)(5) of the Internal Revenue Code (the Code). However, under Section 527 of the Code, PEF's investment income from the Political Action Fund is subject to tax. PEF Land Holding Corporation is a title holding corporation and is exempt from federal income tax under Section 501(c)(2) of the Code.

Cash Equivalents

For purposes of the statement of cash flows, PEF considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investment Securities

PEF follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under the provisions of SFAS No. 124, investments in equity securities and debt securities (see Note 3) are valued at their fair value based on readily determinable quoted market prices. Realized gains and losses from the sale of securities are recognized on the trade date and are calculated based on market value.

The net change in unrealized appreciation (depreciation) from the beginning of the year to the end of the year is included in net unrealized and realized gains (losses) in the consolidated statements of activities. Interest income is recognized as earned.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method over the following estimated useful lives:

	Years
Building and improvements	31.5
Furniture, fixtures and equipment	3-10
Automobiles	3-10
Computer equipment	3-10

Maintenance and repairs are charged to operations when incurred; betterments and renewals are capitalized. When property, plant and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation are relieved and any gain or loss is included in operations.

**NEW YORK STATE PUBLIC EMPLOYEES
FEDERATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2007 AND 2006**

	2007	2006
Changes in Unrestricted Net Assets		
Revenues and gains:		
Membership dues and agency shop fees	\$28,813,956	\$27,262,095
Less:		
Divisional distributions	1,080,497	887,788
Per capita taxes, net	8,787,859	8,272,197
Affiliation dues	284,327	214,978
Net Membership Dues and Agency Shop Fees	<u>18,661,273</u>	<u>17,887,132</u>
Other support:		
Interest income	289,353	278,613
Net unrealized and realized gains (losses)	29,623	(55,652)
Gain on sale of fixed assets	5,794	-
Grant income	338,719	291,053
Advertising income	215,355	215,391
Rental income	22,869	12,273
Affiliation income	164,716	145,608
Other income	<u>1,101,097</u>	<u>1,136,404</u>
Total	<u>2,167,526</u>	<u>2,023,690</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	<u>78,297</u>	<u>62,108</u>
Total Unrestricted Revenues, Gains and Other Support	<u>20,907,096</u>	<u>19,972,930</u>
Expenses:		
Salary and benefit expenses	13,421,567	12,669,774
Staff travel and related expenses	535,892	484,879
Program related expenses	2,754,850	2,132,074
Operating expenses	5,055,963	5,213,614
Depreciation	428,638	429,365
Interest expense	111,433	137,922
Total Expenses	<u>22,308,343</u>	<u>21,067,628</u>
Decrease in Unrestricted Net Assets Before Settlement with American Federation of Teachers	(1,401,247)	(1,094,698)
Forgiveness of portion of American Federation of Teachers judgment net of provisions for interest of \$356,841 in 2007 and \$428,209 in 2006	<u>814,488</u>	<u>814,488</u>
Decrease in Unrestricted Net Assets	<u>(586,759)</u>	<u>(280,210)</u>
Changes in Temporarily Restricted Net Assets		
Contributions	\$ 100,463	\$ 95,216
Interest	10,978	7,035
Net assets released from restrictions	<u>(78,297)</u>	<u>(62,108)</u>
Increase in Temporarily Restricted Net Assets	<u>33,144</u>	<u>40,143</u>
Change in Net Assets	(553,615)	(240,067)
Net Assets, Beginning of Year	<u>1,107,266</u>	<u>1,347,333</u>
Net Assets, End of Year	<u>\$ 553,651</u>	<u>\$ 1,107,266</u>

See accompanying notes to consolidated financial statements.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Board Designated Net Assets

Board designated net assets represents funds earmarked by the PEF Executive Board for funding new contract campaigns, member mobilization or political action. Any use of these funds outside of these designations requires approval by at least three-quarters of the Executive Board.

Bad Debts

PEF uses the direct write-off method of accounting for bad debts. Management believes that any allowance would be immaterial.

Reclassification

Certain 2006 amounts have been reclassified to conform to the 2007 financial statement presentation.

2. NET MEMBERSHIP DUES AND AGENCY SHOP FEES

Membership Dues and Agency Shop Fees

Revenue is comprised of membership dues paid by members of PEF and agency shop fees paid by those employees who are members of the bargaining unit but not of PEF. Dues income is recognized based upon the pay period for which members' salaries are paid by the State of New York. The biweekly dues and fees are calculated based on .9% of a member's annual compensation for the years ended March 31, 2007 and 2006, respectively.

Divisional Distributions

Divisional distributions represent allocations to local organizations of PEF members. Each division was paid \$6.37 per member up to 200 members and \$5.10 for each member in excess of 200, in each calendar quarter for the years ended March 31, 2007 and 2006.

Per Capita Taxes

PEF is required to pay per capita taxes on a monthly basis to AFT and SEIU as a result of its affiliation with these organizations. Per capita taxes are presented net of the AFT constitutional rebates of \$164,716 and \$145,608 for the years ended March 31, 2007 and 2006, respectively.

Affiliation Dues

Affiliation dues are amounts paid by PEF to participate with other labor organizations in various labor councils in New York State.

3. INVESTMENT SECURITIES

Investment securities are carried at fair value and consist of the following:

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury notes and bills	\$1,565,759	\$1,547,085	\$1,541,501	\$1,482,713
Federal agency issues	258,942	270,300	400,335	410,705
U.S. Treasury zero coupon bonds	5,347	5,634	5,692	5,362
GNMA Pass-thru securities	143,203	143,155	170,823	170,735
Corporate bonds	<u>113,059</u>	<u>115,174</u>	<u>111,859</u>	<u>114,462</u>
Total	<u>\$2,086,310</u>	<u>\$2,081,348</u>	<u>\$2,230,210</u>	<u>\$2,183,977</u>

Net realized gains (losses) for the years ended March 31, 2007 and 2006 were \$(13,525) and \$1,014, respectively. Net unrealized gains (losses) for the years ended March 31, 2007 and 2006 were \$43,148 and \$(56,666), respectively.

4. POLITICAL ACTION FUND

PEF maintains a Political Action Fund (the Fund) from which political contributions are disbursed. Contributions are approved by PEF's Executive Board and funded from PEF's unrestricted net assets. The Fund is administered within PEF by the Legislative Department, which is also responsible for other lobbying activities. For the years ended March 31, 2007 and 2006, the Legislative Department has allocated \$1,224,802 and \$1,185,977 from unrestricted net assets for its operations, including political contributions. During the years ended March 31, 2007 and 2006, \$938,302 and \$889,477 was allocated for Legislative Department operations. For the years ended March 31, 2007 and 2006, expenses were less than the allocation by approximately \$286,500. At March 31, 2007 and 2006, the amount due from the general fund was \$673,949.

5. PENSION FUND

Substantially all employees of PEF are eligible to participate in the Affiliates' Officers and Employees Pension Fund of SEIU (the Pension Fund). The Pension Fund is a defined benefit multi-employer pension plan. Total pension expense was \$1,190,860 and \$1,179,317 for the years ended March 31, 2007 and 2006, respectively. These amounts are based upon a contribution rate of 14% of total eligible employee compensation. Actuarial and plan asset data relating to employees of PEF is not available.

6. LEASES

PEF has entered into a variety of leases, primarily for the use of office space and equipment, which are accounted for as operating leases. In addition, PEF has certain office and computer equipment leases that are accounted for as capital leases. Included within "furniture, fixtures and equipment" is equipment held under capital leases with a cost basis of \$638,871, and accumulated amortization of \$403,490 and \$285,799 at March 31, 2007 and 2006, respectively. Future minimum payments under all noncancelable leases having initial terms in excess of one year at March 31, 2007 consist of the following:

	Capital Leases	Operating Leases
2008	\$ 220,512	\$ 595,280
2009	220,515	538,107
2010	—	501,497
2011	—	453,124
2012	—	<u>443,809</u>
Total	441,027	<u>\$2,531,817</u>
Less amounts representing interest		<u>106,686</u>
Present Value of Net Minimum Lease Payments		334,341
Less current maturities of capital lease obligations		<u>144,066</u>
Capital Lease Obligations, net of current maturities	\$190,275	

Total rental expense related to operating leases was \$603,064 and \$636,905 for the years ended March 31, 2007 and 2006, respectively. Lease agreements frequently include renewal options and require PEF to pay utilities, taxes, insurance and maintenance.

Additionally, PEF, as lessor, leases certain office space in its main office building. Future minimum rental payments receivable by year,

under a noncancellable operating lease and sublease, consist of the following at March 31, 2007:

2008\$ 31,932

7. LITIGATION

Under an arbitration award rendered in May 1985, PEF was ordered to pay New York State United Teachers/American Federation of Teachers (AFT) in excess of \$9 million in back per capita taxes for the period March 1983 through May 1985. During fiscal 1988, a State Supreme Court decision vacated the award in its entirety. However, AFT subsequently appealed the decision and, in May 1989, the Appellate Division reversed the lower court decision, thereby awarding AFT approximately \$9.2 million of back per capita taxes. In 1989, PEF attempted to appeal the decision of the Appellate Division.

On March 27, 1990, the Court of Appeals denied PEF's motion and reaffirmed the judgment to AFT of approximately \$9.2 million for per capita taxes. During the fiscal year ending March 31, 1991, AFT made a motion to the State Supreme Court to be awarded prejudgment date interest. In June 1991, the State Supreme Court granted AFT's motion for prejudgment date interest. Interest on the outstanding balance accrues at the rate of 9% annually. Each year since 1991, AFT has unilaterally forgiven one twentieth of the total outstanding principal balance and the annual accrued interest amount.

AFT has not sought enforcement of the judgment in the past, but rather, as noted, has forgiven a portion of the indebtedness and interest. It is not possible to predict whether AFT will seek to enforce the judgment in the future. Accordingly, PEF has reported a liability of approximately \$3.26 million, which represents the judgment amount plus accrued interest at 9% per annum from the arbitration dates less amounts previously forgiven.

PEF has been named as a defendant in several other lawsuits and claims. While the ultimate outcome of these actions cannot be predicted at this time, it is the opinion of management that the disposition of these lawsuits and claims will not have a material adverse effect on the financial position of PEF.

8. RELATED ORGANIZATIONS

PEF is affiliated with the following:

Public Employees Federation Membership Benefits Program

This trust was established to provide PEF members the opportunity to obtain various insurance and other benefits at group rates. This program is outside the operations of PEF and is not included within the accompanying consolidated financial statements. PEF is not responsible for the debts of the Membership Benefits Program and any remaining assets upon termination of the program revert to the participating members and not to PEF.

PEF incurs costs on behalf of the program, which are billed back to the Membership Benefits Program. Included in other receivables at March 31, 2007 and 2006 are receivables from the program for \$175,238 and \$178,395, respectively. The Membership Benefits Program occupies space in PEF's headquarters under a 20-year lease with PEF requiring minimum annual payments of \$31,932 plus the proportionate share of taxes, utilities and common area costs.

Retirees' Fund

The Fund was established to provide various services, such as continuing insurance and seminars, to retired PEF members. This Fund is outside the operations and control of PEF and is not included within the accompanying consolidated financial statements. PEF incurs various costs for payroll, benefits and office expenses on behalf of the Retirees' Fund, which it bills back to the Fund. Included in other receivables at March 31, 2007 and

2006 are receivables from the Fund for \$21,514 and \$17,616, respectively.

9. FUNCTIONAL EXPENSES

PEF's expenses by functional activity were as follows:

	2007	2006
Membership services	\$13,473,544	\$11,968,522
Administration and support	3,245,445	3,871,142
Grants and contracts activities	470,840	390,452
Labor management activities	3,749,507	3,674,887
Legislative and political action	<u>1,369,007</u>	<u>1,162,625</u>
Total	<u>\$22,308,343</u>	<u>\$21,067,628</u>

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at March 31, 2007 and 2006 are available for the following purposes:

	2007	2006
COPE:		
Political contributions	\$292,514	\$259,370

11. CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

	2007	2006
COPE:		
Contributions received with donor restrictions	<u>\$ 100,463</u>	<u>\$ 95,216</u>
Interest earned that has been restricted	<u>\$ 10,978</u>	<u>\$ 7,035</u>
Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes	<u>\$ 78,297</u>	<u>\$ 62,108</u>

12. CONCENTRATION OF CREDIT RISK

PEF maintains its cash accounts in local financial institutions. At times these balances exceed FDIC insured amounts.

13. ACCRUED POST-RETIREMENT BENEFITS

Retired PEF employees can convert unused sick leave to cash for the purpose of paying health insurance benefits. To be eligible, retiring employees must meet one of the three following criteria: sixty-five years of age and three years of service; fifty-five years of age and 10 years of service; or age fifty and 30 years of service. PEF recognizes the cost of providing post-retirement health insurance benefits by estimating the accumulated post-retirement benefit. It is at least reasonably possible that this significant estimate will change within the next year.

The estimated unfunded accumulated post-retirement benefit obligation at March 31, 2007 and 2006 was \$2,676,746 and \$2,436,587, respectively. The change in the post-retirement obligation for the years ended March 31, 2007 and 2006 was approximately \$240,159 and \$(106,000), respectively and is included in salary and benefit expenses.

For the years ended March 31, 2007 and 2006, the weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8% and 7%, respectively. Additionally, the measurement date used to determine the post-retirement benefit obligation is March 31, 2007.

13. ACCRUED POST RETIREMENT BENEFITS

During the years ended March 31, 2007 and 2006, PEF paid out benefits of \$5,974 and \$4,887, respectively.

The following estimated benefit payments, which reflect expected

future service, as appropriate, are expected to be paid:

2008	\$ 75,900
2009	81,000
2010	88,200
2011	90,700
2012	91,400
2013-2017	457,700

During the year ended March 31, 2007, the Federation began receiving a federal subsidy relating to the Medicare Prescription Drug, Improvement, and Modernization Act. In future years, this subsidy will be used by the Federation to reduce their benefit payments.

During the year-ended March 31, 2008, the Federation

will be required to adopt the provisions of SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, which is effective for entities with fiscal years ending after June 15, 2007.

SFAS No. 158 requires an entity to present in its financial statements the current economic status of a postretirement benefit plan and include enhanced disclosures in the notes to those financial statements.

14. SELF-INSURANCE PLAN

PEF provides health insurance benefits utilizing a self-funded plan that covers substantially all full-time employees. The liability for claims incurred and claims incurred but not reported was approximately \$75,000 for both years ended March 31, 2007 and 2006.

PEF has purchased individual risk and excess risk stop-loss insurance to limit its exposure to claims in excess of specified amounts.

**NEW YORK STATE PUBLIC EMPLOYEES
FEDERATION AND SUBSIDIARIES
CONSOLIDATED DETAIL OF EXPENSES
FOR THE YEARS ENDED MARCH 31, 2007 and 2006**

	2007	2006
Salary and Benefit Expenses		
Salaries	\$8,875,560	\$8,518,628
Union leave	641,632	688,519
Pension expense	1,190,860	1,179,317
Health insurance	1,752,440	1,389,306
Payroll taxes	785,233	724,445
Tuition reimbursement	15,916	6,621
Term life insurance	51,709	60,123
Dependent care	35,053	34,180
401(k) plan	15,361	13,188
Long-term disability	57,803	55,447
Total	<u>\$13,421,567</u>	<u>\$12,669,774</u>
Staff Travel and Related Expenses		
Staff travel	\$295,751	\$252,164
Automobile expense	240,141	232,715
Total	<u>\$ 535,892</u>	<u>\$ 484,879</u>
Program Related Expenses		
Program related travel	\$ 1,987,283	\$ 1,751,682
Earned organizational leave	767,567	380,392
Total	<u>\$ 2,754,850</u>	<u>\$ 2,132,074</u>
Operating Expenses		
Advertising	\$ 899,515	\$ 1,369,612
Office rent and parking	604,146	641,364
Professional and consultant fees	506,272	290,203
Postage	478,979	446,032
Political and associated contributions	450,591	267,133
Printing	381,381	474,718
Telephone and communications	270,448	268,395
Arbitration	252,804	196,688
Office supplies	140,494	115,019
Reproduction	109,852	48,824
Utilities	108,917	136,298
Real estate taxes	103,818	99,857
Maintenance and repairs	101,043	80,527
Charitable and other contributions	96,749	163,697
Insurance	93,303	134,353
Books and reference material	88,388	77,731
Janitorial	68,870	84,465
Computer fees	49,429	55,509
Miscellaneous	45,955	27,033
Scholarships	39,000	40,118
Steno and transcript fees	31,079	32,221
Outside temporary hires	25,123	49,875
Minor equipment purchases	12,001	25,691
Equipment rental	11,761	15,499
Outside legal fees	5,649	7,082
Photographic supplies	2,099	3,562
COPE expense	78,297	62,108
Total	<u>\$5,055,963</u>	<u>\$5,213,614</u>

**NEW YORK STATE PUBLIC EMPLOYEES
FEDERATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2007 AND 2006**

	2007	2006
Cash Flows From Operating Activities		
Change in net assets	\$ (553,615)	\$ (240,067)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	428,638	429,365
Forgiveness of portion of American Federation of Teachers judgment	(814,488)	(814,488)
Net unrealized and realized gains (losses)	(29,623)	55,652
Gain on sale of fixed assets	(5,794)	—
(Increase) Decrease in assets:		
Membership dues and agency shop fees receivable	(48,748)	(122,685)
Other receivables	(69,291)	113,198
Prepaid expenses	(43,893)	(64,438)
Other assets	68,136	104,485
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(324,934)	932,496
Earned organizational leave	(101,095)	4,588
Accrued vacation	85,989	14,072
Accrued post-retirement benefits	240,159	(106,521)
Divisional distributions payable	(61,820)	(217,916)
Deferred revenue	(1,306)	(14,271)
Net Cash Provided (Used) by Operating Activities	<u>(1,231,685)</u>	<u>73,470</u>
Cash Flows From Investing Activities		
Purchase of investments	(555,420)	(846,813)
Proceeds from sale of investments	687,590	1,863,282
Proceeds from sale of fixed assets	5,794	—
Expenditures for property, plant and equipment	(185,511)	(140,328)
Net Cash Provided (Used) by Investing Activities	<u>(47,547)</u>	<u>876,141</u>
Cash Flows From Financing Activities		
Principal payments on capital leases payable	(109,080)	(82,589)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,388,312)</u>	<u>867,022</u>
Cash and Cash Equivalents, Beginning of Year	<u>6,395,663</u>	<u>5,528,641</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,007,351</u>	<u>\$ 6,395,663</u>
Supplemental Information:		
Cash paid for interest	<u>\$ 111,433</u>	<u>\$ 137,922</u>

See accompanying notes to consolidated financial statements.

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