

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

**CONSOLIDATED FINANCIAL STATEMENTS
WITH CONSOLIDATING SCHEDULES**

JUNE 30, 2007

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

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REPORT OF INDEPENDENT AUDITORS

The Secretary-Treasurer
American Federation of Teachers, AFL-CIO

We have audited the accompanying consolidated statement of financial position of the American Federation of Teachers, AFL-CIO and related controlled entities as of June 30, 2007, and the related consolidated statements of activities, expenses, changes in net assets, and cash flows for the year 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 audit. We previously audited the consolidated statements of the American Federation of Teachers, AFL-CIO for the year ended June 30, 2006, and our report thereon dated September 29, 2006 expressed an unqualified opinion on those statements. Totals for that year are included in the accompanying financial statements for comparative purposes.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the Federation's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Federation of Teachers, AFL-CIO and related controlled entities as of June 30, 2007, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating schedules on pages 20 and 21 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and change in net assets of the individual entities. The consolidating information is the responsibility of the Federation's management. The consolidating information as of and for the year ended June 30, 2007, has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Calibre CPA Group, PLLC

Washington, DC
January 22, 2008

AMERICAN FEDERATION OF TEACHERS, AFL-CIO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007
(WITH COMPARATIVE TOTALS AT JUNE 30, 2006)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	June 30, 2007 Total	June 30, 2006 Total
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 9,571,077	\$ 354,749	\$ -	\$ 2,103,516	\$ -	\$ 12,029,342	\$ 11,497,786
Due from (to) other funds	(15,667,489)	3,889,033	15,296,426	(3,517,970)	-	-	-
Investments	310,000	19,753,476	-	17,929,829	-	37,993,305	34,786,188
Receivables							
Per capita taxes	26,606,974	-	-	-	-	26,606,974	19,569,205
Due from AFT Disaster Relief Fund	-	-	-	-	-	-	2,391,620
Other	3,222,754	787,007	-	210,311	-	4,220,072	3,830,617
Prepaid expenses	1,339,091	-	-	193,222	-	1,532,313	1,676,973
Total current assets	<u>25,382,407</u>	<u>24,784,265</u>	<u>15,296,426</u>	<u>16,918,908</u>	<u>-</u>	<u>82,382,006</u>	<u>73,752,389</u>
PROPERTY, EQUIPMENT, AND IMPROVEMENTS, net	4,233,316	-	-	18,621,343	-	22,854,659	23,862,114
OTHER ASSETS							
Loans receivable	-	2,452,793	-	-	-	2,452,793	2,339,016
Deferred charges	-	-	-	174,297	-	174,297	223,207
Intangible asset - defined benefit pension	-	-	-	-	-	-	3,736,324
Total assets	<u>\$ 29,615,723</u>	<u>\$ 27,237,058</u>	<u>\$ 15,296,426</u>	<u>\$ 35,714,548</u>	<u>\$ -</u>	<u>\$ 107,863,755</u>	<u>\$ 103,913,050</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable	\$ 6,259,543	\$ 4,539,318	\$ -	\$ 538,910	\$ -	\$ 11,337,771	\$ 9,263,182
Due to AFT Disaster Relief Fund	-	1,804,606	-	-	-	1,804,606	1,503,834
Current maturities of mortgage note payable	-	-	-	1,459,731	-	1,459,731	1,401,238
Accrued vacation and severance pay	8,140,477	-	-	-	-	8,140,477	7,942,042
Accrued expenses and other liabilities	7,667,790	-	-	78,399	-	7,746,189	6,979,704
Advance per capita taxes	187,700	-	-	-	-	187,700	214,630
Deferred revenue	355,392	-	-	-	-	355,392	171,372
Estimated self-insurance reserve - members' liability insurance	-	1,000,000	-	-	-	1,000,000	1,000,000
Postretirement benefits - current portion	-	-	-	-	266,895	266,895	325,531
Total current liabilities	<u>22,610,902</u>	<u>7,343,924</u>	<u>-</u>	<u>2,077,040</u>	<u>266,895</u>	<u>32,298,761</u>	<u>28,801,533</u>
MORTGAGE NOTE PAYABLE, EXCLUDING CURRENT MATURITIES	-	-	-	8,262,849	-	8,262,849	9,722,186
ACCRUED POSTRETIREMENT HEALTHCARE COSTS - LONG TERM	-	-	-	-	8,830,548	8,830,548	1,623,610
ACCRUED PENSION LIABILITY - LONG TERM	-	-	-	-	5,989,542	5,989,542	5,290,982
Total liabilities	<u>22,610,902</u>	<u>7,343,924</u>	<u>-</u>	<u>10,339,889</u>	<u>15,086,985</u>	<u>55,381,700</u>	<u>45,438,311</u>
COMMITMENTS AND CONTINGENCIES							
UNRESTRICTED NET ASSETS							
Designated	-	10,735,025	2,598,496	-	-	13,333,521	12,002,675
Undesignated	7,004,821	9,158,109	12,697,930	25,374,659	(15,086,985)	39,148,534	46,472,064
Total unrestricted net assets	<u>7,004,821</u>	<u>19,893,134</u>	<u>15,296,426</u>	<u>25,374,659</u>	<u>(15,086,985)</u>	<u>52,482,055</u>	<u>58,474,739</u>
Total liabilities and net assets	<u>\$ 29,615,723</u>	<u>\$ 27,237,058</u>	<u>\$ 15,296,426</u>	<u>\$ 35,714,548</u>	<u>\$ -</u>	<u>\$ 107,863,755</u>	<u>\$ 103,913,050</u>

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS AT JUNE 30, 2006)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	2007 Total	2006 Total
REVENUE							
Per capita taxes (net of agency fee rebates of \$968,908 in 2007 and \$908,603 in 2006)	124,309,994	\$ 2,737,515	\$ 8,348,390	\$ 1,013,895	\$ -	\$ 136,409,794	\$ 126,755,553
Members' liability insurance	-	2,654,136	-	-	-	2,654,136	3,464,454
Investment revenue (net of investment expenses of \$152,309 in 2007 and \$114,002 in 2006)	572,563	567,057	-	662,112	-	1,801,732	1,613,941
Net appreciation (depreciation) in fair value of investments	286,293	119,108	-	1,190,764	-	1,596,165	(401,417)
Publication revenue	567,919	-	-	-	-	567,919	524,849
Program administration and royalties	1,756,702	-	-	-	-	1,756,702	1,363,815
Reimbursements from related entities	687,226	-	-	-	-	687,226	955,489
Rental revenue on subleased office space	-	-	-	197,670	-	197,670	186,162
Rental income, net	-	-	-	1,237,079	-	1,237,079	992,957
Puerto Rico arbitration settlement	-	-	-	-	-	-	1,797,046
Other	3,204,621	25,935	-	-	-	3,230,556	3,510,800
Total revenue	131,385,318	6,103,751	8,348,390	4,301,520	-	150,138,979	140,763,649
EXPENSES	127,741,141	8,126,436	5,431,585	3,249,315	11,583,186	156,131,663	144,043,216
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 3,644,177	\$ (2,022,685)	\$ 2,916,805	\$ 1,052,205	\$ (11,583,186)	\$ (5,992,684)	\$ (3,279,567)

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENT OF EXPENSES

YEAR ENDED JUNE 30, 2007

(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	2007 Total	2006 Total
EXPENSES							
Office of the President	\$ 2,884,341	\$ -	\$ -	\$ -	\$ -	\$ 2,884,341	\$ 2,840,025
Office of the Secretary-Treasurer	4,275,408	-	-	-	-	4,275,408	3,758,940
Office of the Executive Vice President	1,281,400	-	-	-	-	1,281,400	1,541,462
The Albert Shanker Institute	657,101	-	-	-	-	657,101	598,687
Financial services department	1,062,877	-	-	-	-	1,062,877	963,637
Human resources department	1,127,883	-	-	-	-	1,127,883	1,024,710
Higher education department	1,118,355	-	-	-	-	1,118,355	1,045,884
Government relations department	9,881,333	-	-	-	-	9,881,333	9,216,897
Editorial department	6,083,667	-	-	-	-	6,083,667	5,913,136
Educational issues department	6,548,054	-	-	-	-	6,548,054	7,284,928
Employee benefits department	562,139	-	-	-	-	562,139	554,176
Accounting department	2,682,915	-	-	-	-	2,682,915	2,661,979
Administration department	3,309,215	-	-	-	-	3,309,215	2,690,704
General operations	24,047,174	-	-	(1,170,228)	-	22,876,946	16,379,317
Human rights/community relations department	1,519,882	-	-	-	-	1,519,882	1,577,218
International affairs department	1,834,379	-	-	-	-	1,834,379	1,611,327
Organizing department	37,718,772	-	-	-	-	37,718,772	41,419,729
Public affairs department	2,857,883	-	-	-	-	2,857,883	2,728,929
Research department	2,354,213	-	-	-	-	2,354,213	2,136,234
Meetings and business travel department	2,913,399	-	-	-	-	2,913,399	1,596,744
<u>American Educator</u> department	2,336,376	-	-	-	-	2,336,376	2,415,824
Legal department	940,322	-	-	-	-	940,322	884,316
Information technology department	4,377,194	-	-	-	-	4,377,194	4,432,234
Member benefits department	1,947,766	-	-	-	-	1,947,766	1,945,924
Healthcare department	888,505	-	-	-	-	888,505	951,731
PSRP department	1,759,924	-	-	-	-	1,759,924	1,764,780
Public employees department	770,664	-	-	-	-	770,664	660,880
Legal fees	-	4,743,355	-	-	-	4,743,355	4,854,145
Liability insurance expenses	-	2,555,552	-	-	-	2,555,552	3,630,854
Donation to AFT Disaster Relief Fund	-	311,079	-	-	-	311,079	4,688,921
Grants to locals	-	98,441	-	-	-	98,441	1,923
Capitol Place I operating expenses	-	-	-	2,696,569	-	2,696,569	2,485,767
Interest	-	4,182	-	429,247	-	433,429	597,518
State federations' solidarity funds	-	-	2,467,024	-	-	2,467,024	2,998,513
National solidarity fund	-	-	2,964,561	-	-	2,964,561	2,070,000
Postretirement expenses	-	-	-	-	11,583,186	11,583,186	-
Other	-	413,827	-	1,293,727	-	1,707,554	2,115,223
Total expenses	\$ 127,741,141	\$ 8,126,436	\$ 5,431,585	\$ 3,249,315	\$ 11,583,186	\$ 156,131,663	\$ 144,043,216

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE INFORMATION FOR YEARS ENDED JUNE 30, 2006)

	General Fund	Militancy/ Defense Fund - Designated	Militancy/ Defense Fund - Undesignated	Solidarity Fund Designated	Solidarity Fund Undesignated	Building Fund	Postretirement Benefits Fund	Total
Net assets, July 1, 2005	\$ (3,799,491)	\$ 10,154,584	\$ 21,192,128	\$ 2,176,814	\$ 7,827,346	\$ 24,202,925	\$ -	\$ 61,754,306
Changes in net assets, year ended June 30, 2006	<u>3,656,336</u>	<u>(95,741)</u>	<u>(9,335,152)</u>	<u>(232,982)</u>	<u>2,608,443</u>	<u>119,529</u>	<u>-</u>	<u>(3,279,567)</u>
Net assets, June 30, 2006	<u>(143,155)</u>	<u>10,058,843</u>	<u>11,856,976</u>	<u>1,943,832</u>	<u>10,435,789</u>	<u>24,322,454</u>	<u>-</u>	<u>58,474,739</u>
Change in net assets before interfund transfer	3,644,177	676,182	(2,698,867)	654,664	2,262,141	1,052,205	(11,583,186)	(5,992,684)
Interfund transfer	<u>3,503,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,503,799)</u>	<u>-</u>
Change in net assets, year ended June 30, 2007	<u>7,147,976</u>	<u>676,182</u>	<u>(2,698,867)</u>	<u>654,664</u>	<u>2,262,141</u>	<u>1,052,205</u>	<u>(15,086,985)</u>	<u>(5,992,684)</u>
Net assets, June 30, 2007	<u>\$ 7,004,821</u>	<u>\$ 10,735,025</u>	<u>\$ 9,158,109</u>	<u>\$ 2,598,496</u>	<u>\$ 12,697,930</u>	<u>\$ 25,374,659</u>	<u>\$ (15,086,985)</u>	<u>\$ 52,482,055</u>

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006)

	General Fund	Militancy/ Defense Fund	Solidarity Fund	Building Fund	Postretirement Benefits Fund	2007 Total	2006 Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in net assets	\$ 7,147,976	\$ (2,022,685)	\$ 2,916,805	\$ 1,052,205	\$ (15,086,985)	\$ (5,992,684)	\$ (3,279,567)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities							
Depreciation and amortization	1,518,209	-	-	1,342,440	-	2,860,649	2,949,678
Loss on disposal of property and equipment	149,843	-	-	-	-	149,843	38,336
Net (appreciation) depreciation in fair value of investments	-	(405,400)	-	(1,190,764)	-	(1,596,164)	401,417
Decrease (increase) in assets							
Due from (to) other funds	(1,551,128)	3,022,502	(2,916,805)	1,445,431	-	-	-
Due from AFT Disaster Relief Fund	2,391,620	-	-	-	-	2,391,620	(2,391,620)
Per capita taxes receivable	(7,037,769)	-	-	-	-	(7,037,769)	4,911,471
Loans receivable	-	(113,777)	-	-	-	(113,777)	438,673
Other receivables	(617,352)	(275,117)	-	503,014	-	(389,455)	(1,092,393)
Prepaid expenses	316,577	-	-	(171,917)	-	144,660	(887,005)
Intangible asset - defined benefit pension	3,736,324	-	-	-	-	3,736,324	2,189,655
Increase (decrease) in liabilities							
Accounts payable	1,394,874	471,364	-	208,351	-	2,074,589	2,850,321
Due to AFT Disaster Relief Fund	-	300,772	-	-	-	300,772	1,503,834
Accrued vacation and severance pay	198,435	-	-	-	-	198,435	180,422
Accrued expenses and other liabilities	691,485	-	-	75,000	-	766,485	619,824
Advance per capita taxes	(26,930)	-	-	-	-	(26,930)	43,067
Accrued postretirement health care costs	(1,908,968)	-	-	-	9,053,458	7,144,490	659,592
Accrued pension liability	(5,331,155)	-	-	-	6,033,527	702,372	(1,231,646)
Deferred revenue	184,020	-	-	-	-	184,020	(257,786)
Net cash provided by operating activities	1,256,061	977,659	-	3,263,760	-	5,497,480	7,646,273
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of property, equipment and improvements	(1,520,013)	-	-	(434,111)	-	(1,954,124)	(1,659,832)
Proceeds from the sale of property and equipment	-	-	-	-	-	-	3,681
Purchases of investments	-	(12,355,406)	-	(4,244,923)	-	(16,600,329)	(17,117,353)
Proceeds from the sale of investments	-	11,499,576	-	3,489,797	-	14,989,373	18,840,142
Payment of mortgage note receivable	-	-	-	-	-	-	12,632,516
Net cash provided by (used in) investing activities	(1,520,013)	(855,830)	-	(1,189,237)	-	(3,565,080)	12,699,154
CASH FLOWS FROM FINANCING ACTIVITIES							
Margin loan proceeds	-	-	-	-	-	-	(14,632,516)
Margin loan payments	-	-	-	-	-	-	2,000,000
Principal payments on mortgage note payable	-	-	-	(1,400,844)	-	(1,400,844)	(1,345,558)
Net cash provided by (used in) financing activities	-	-	-	(1,400,844)	-	(1,400,844)	(13,978,074)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(263,952)	121,829	-	673,679	-	531,556	6,367,353
CASH AND CASH EQUIVALENTS							
Beginning of year	9,835,029	232,920	-	1,429,837	-	11,497,786	5,130,433
End of year	\$ 9,571,077	\$ 354,749	\$ -	\$ 2,103,516	\$ -	\$ 12,029,342	\$ 11,497,786

SUPPLEMENTAL DISCLOSURE

The Federation paid \$444,520 and \$669,062 in interest for the years ended June 30, 2007 and 2006, respectively.

See accompanying notes to consolidated financial statements.

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - The American Federation of Teachers, AFL-CIO (the Federation) aims to obtain exclusive bargaining rights, including the right to strike, for teachers, paraprofessionals and school-related personnel, higher education faculty and professionals, state and local public employees, health care employees and other workers. The Federation also aims to improve workers rights, improve educational standards, improve health standards, improve public employee standards, improve education, promote child welfare, oppose bias, and to promote democracy. The major source of revenue to the Federation is per capita taxes paid by locals.

Fund Accounting and Principles of Consolidation - To ensure observance of limitations and restrictions placed on the use of resources available to the Federation, the accounts of the Federation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. The Building Fund also includes the consolidated accounts of 555 New Jersey Avenue, N.W., Inc. (555 New Jersey), and a controlled limited partnership - Capitol Place I Associates Limited Partnership (Capitol Place I Associates) (see Note 2). All significant intercompany transactions have been eliminated in consolidation.

The assets, liabilities and net assets of the Federation are reported in five self-balancing, unrestricted net asset fund groups, as follows:

- | | |
|------------------------|--|
| General Fund | - records all activity not accounted for in the other funds. |
| Militancy/Defense Fund | |
| Undesignated | - the undesignated portion of net assets is to financially support members and locals involved in strikes and in legal matters concerning job security and other issues. |
| Designated | - established to account for the net activity of the Federation's Occupational Liability Insurance Plan for members. |
| Building Fund | - established to account for the Federation's sub-leasing activities and its consolidated investment in 555 New Jersey Avenue, N.W., Inc., and in a limited partnership, Capitol Place I Associates Limited Partnership. |

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Solidarity Fund - established in 2002 to assist the Federation and its affiliates in participating in legislative and political activities with significant potential impact on members and the institutions where they work. The designated portion of net assets is the amount available for state affiliates with similar funds.
- Postretirement Benefit Fund - established in 2007 to record the unfunded liabilities and expenses associated with providing healthcare and life insurance benefits to the Federation's retirees and pension benefits to the retired officers of the Federation.

The accrued liabilities for these benefits of \$3,503,799 at June 30, 2006 previously recorded in the General Fund, were transferred to the Postretirement Benefit Fund in 2007.

Financial Statement Presentation - The consolidated financial statements of the Federation report the amounts for each of three distinct classes of net assets and changes therein - permanently restricted net assets, temporarily restricted net assets and unrestricted net assets - based on the existence or absence of donor-imposed restrictions. The Federation has no permanently or temporarily restricted net assets for the years ended June 30, 2007 and 2006.

The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include information by fund as presented for the year ended June 30, 2007. Accordingly, such information should be read in conjunction with the Federation's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

Per Capita Taxes - The Federation assesses each local a monthly per capita tax for each member. Annual per capita tax assessments and the allocation to the various funds are determined by the Federation's Executive Council pursuant to the Federation's constitution. Per capita taxes are recognized monthly as assessments become due from the various local organizations; taxes received in advance are deferred. The General Fund initially records all per capita tax receipts and receivables, and allocates the portion due to other funds on a monthly basis.

Effective September 1, 2006 and 2005, the monthly per capita tax was \$13.95 and \$13.20, respectively, per member. Since September 1, 1998, \$.27 of monthly per capita has been allocated to the Militancy/Defense Fund, \$.10 has been allocated to the Building Fund, and \$.05 has been allocated to the Albert Shanker Institute as a contribution from the Federation. Effective September 1, 2006 and 2005, \$.80 and \$.67 of monthly per capita has been allocated to the Solidarity Fund of which \$.30 and \$.25 has been designated for state affiliates with similar funds.

Also pursuant to the Federation's constitution, a rebate of per capita taxes of 20 cents per month is provided to each chartered state federation based on the number of dues paying members.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents - For the purposes of the statement of cash flows, the Federation considers all money market and highly liquid monetary instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - Equity securities with readily determinable fair values and all debt securities are stated at fair value which represents publicly quoted market prices as of the last business day of the year.

The Federation considers all investment revenue earned on the undesignated portion of Militancy/Defense Fund investments, as being earned by the General Fund. Net investment revenue of \$307,055 and \$300,909 earned on Militancy/Defense Fund investments for the years ended June 30, 2007 and 2006, respectively, was recognized in the General Fund.

Rental Income, Net - Net rental income represents the rental income of Capitol Place I Associates, less rental income received from the Federation for all space leased by the Federation. Net rental income is recognized on a straight-line basis over the term of the respective leases, shown net of concessions.

Property, Equipment, and Improvements - Property, equipment, and improvements are carried at cost less accumulated depreciation and amortization. Major additions are capitalized while replacements, maintenance, and repairs which do not improve or extend the lives of respective assets are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Building renovations and improvements	15 years
Furniture and equipment	5 to 10 years

Deferred Charges - Deferred charges consist of mortgage loan costs, which are being amortized on a straight-line basis over the term of the mortgage loan.

Severance Pay, Accumulated Vacation, and Welfare Benefits - The Federation recognizes accumulated severance and vacation expense and employees' welfare benefits as earned by its employees under various contracts and agreements.

Estimated Self-Insurance Reserves - Self-insurance reserves represent amounts provided for estimated claims to be submitted under the Federation's Occupational Liability Plan for members and Group Health Insurance Plan for employees. Premiums paid by the Federation's members to the Occupational Liability Plan are used primarily to pay premiums for a liability insurance policy; the remaining premiums are used to pay certain benefits or provide a reserve for benefits not covered under the insurance policy. The Federation provides its employees with health insurance coverage under a self-insured plan. Reserves have been established for amounts attributable to the Occupational Liability Plan which are to be used only for the payment of benefits, and for estimated health insurance claims to be submitted based on estimated claims incurred but not reported at June 30, 2007 and 2006.

Income Taxes - The Federation is exempt from federal income taxes, except on net income, if any, from unrelated business activities, under Section 501(c)(5) of the Internal Revenue Code. The Federation has approximately \$3,750,000 of net operating losses (NOL's) to offset any future taxable income. These NOL's expire over a 15 – 20 year period that generally ends in 2024.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

555 New Jersey is exempt from federal income taxes, except on net income, if any, from unrelated business activities, under Section 501(c)(2) of the Internal Revenue Code.

Capitol Place I Associates, as a partnership, passes all net income (loss) tax amounts through to the individual partners in accordance with the Partnership agreement and the Internal Revenue Code. For state tax purposes, the District of Columbia imposes unincorporated business taxes on any net income of the partnership.

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

Reclassifications - Certain reclassifications have been made to expenses for the year ended June 30, 2006 to conform to the year ended June 30, 2007 presentation.

NOTE 2. INVESTMENT IN CAPITOL PLACE I ASSOCIATES LIMITED PARTNERSHIP

The Federation is a limited partner in Capitol Place I Associates Limited Partnership, a partnership established in 1982, for the purpose of building and owning an office building that was completed in 1984. From 1984 to October 29, 1992, the Federation had a non-controlling 66 percent interest in Capitol Place I Associates, and in distribution of profits and losses and cash flow of the office building. During 1992 and 1994, the Federation purchased the remaining interests in the partnership and established 555 New Jersey as the managing general partner with a 1% interest in the partnership. The purchase price or cost of assets exchanged in acquiring the remaining interests, plus the deficit balances in the former remaining partners' capital accounts, have been allocated to the cost of the land and building. These amounts are being amortized on a straight-line basis over the remaining useful life of the building, from the date of acquisition.

NOTE 3. INVESTMENTS

Investments by fund at June 30, 2007 and 2006 consisted of:

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
General Fund	\$ 310,000	\$ 310,000	\$ 310,000	\$ 310,000
Militancy/Defense Fund	20,034,619	19,753,476	18,965,084	18,492,246
Building Fund	17,365,352	17,929,829	16,200,664	15,983,942
	<u>\$ 37,709,971</u>	<u>\$ 37,993,305</u>	<u>\$ 35,475,748</u>	<u>\$ 34,786,188</u>

Investments at June 30, 2007 and 2006 are comprised of the following:

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Corporate bonds and asset backed securities	\$ 11,850,752	\$ 11,180,959	\$ 9,184,848	\$ 8,507,600
Corporate stocks	7,426,274	8,944,757	6,855,552	7,699,299
U.S. Government and agency securities	16,565,911	16,021,003	18,206,152	17,370,408
Certificates of deposit	500,000	490,834	500,000	484,833
Other bonds	1,367,034	1,355,752	729,196	724,048
	<u>\$ 37,709,971</u>	<u>\$ 37,993,305</u>	<u>\$ 35,475,748</u>	<u>\$ 34,786,188</u>

NOTE 3. INVESTMENTS (CONTINUED)

Realized net gains on investments for the years ended June 30, 2007 and 2006 totaled \$623,271 and \$383,749, respectively. Realized net gains on Militancy Fund investments recognized by the General Fund totaled \$286,293 and \$127,435 for the years ended June 30, 2007 and 2006, respectively.

NOTE 4. RELATED PARTY TRANSACTIONS

The Federation established the American Federation of Teachers Benefit Trust (the Trust), as a separate organization which is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code. The Trust has been formed as a welfare benefit plan for members and is fully subject to the various requirements and fiduciary provisions of the Employee Retirement Income Security Act. The purpose of the Trust is to provide various medical, life and disability insurance benefits to participating Federation members as an enhancement to collectively bargained benefits. Certain Federation Executive Council members and officers serve as trustees of the Trust. In addition, the Federation provides facilities and administration assistance for which the Trust reimburses the Federation for the cost of such services. The Federation recognized \$264,769 and \$454,568 of reimbursements for services provided to the Trust for the years ended June 30, 2007 and 2006, respectively. As of June 30, 2007 and 2006, the Trust owed the Federation (the Federation owed the Trust) \$787,254 and \$(119,754), respectively, which is included in other receivables and payables in the statement of financial position.

The Federation established the AFT Committee on Political Education (AFT/COPE) as a separate segregated fund which is exempt from federal income taxes. AFT/COPE is primarily financed by contributions from affiliates. The Executive Committee of AFT/COPE consists of the same individuals who are members of the Federation's Executive Council. The Federation provided administrative assistance totaling \$489,282 and \$481,634 for the years ended June 30, 2007 and 2006, respectively, to AFT/COPE. These amounts are included in the government relations department in the consolidated statement of expenses.

The Federation established the AFT Education Foundation (AFT/EF) as a separate organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. AFT/EF is principally financed by the research grants from the U.S. Government and related agencies. The officers and directors of AFT/EF are comprised of the Federation's officers and Executive Council. The Federation provides accounting and administrative services to the Foundation without charge, the value of which has not been separately identified in these financial statements. For the years ended June 30, 2007 and 2006, the Federation was reimbursed \$1,382,322 and \$1,351,255 for salaries, fringe benefits and other expenses incurred on behalf of AFT/EF. The Federation also advances funds for payment of AFT/EF expenses until AFT/EF receives reimbursements under the grants. At June 30, 2007 and 2006, the Federation was owed \$910,804 and \$1,140,177, respectively, from the AFT/EF. These amounts are included in other receivables on the statement of financial position.

The Federation established the AFT Disaster Relief Fund (the Fund) during the year ended June 30, 2006 as a separate organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Fund was formed to provide assistance to persons adversely affected by natural or man-made disasters. The officers and directors of the Fund are comprised of the Federation's officers and several Executive Council members. The Federation provided accounting and administrative services to the Fund without charge, the value of which

NOTE 4. RELATED PARTY TRANSACTIONS (CONTINUED)

has not been separately identified in these financial statements. The Federation's Executive Council authorized a contribution to the Fund of up to \$5,000,000 from the Militancy/Defense Fund during the year ended June 30, 2006. For the years ended June 30, 2007 and 2006, the Federation contributed \$311,079 and \$4,688,921, respectively, to the Fund, all of which was used to provide assistance to members affected by Hurricane Katrina. At June 30, 2007 and 2006, the Militancy/Defense Fund owed the Disaster Relief Fund \$1,804,606 and \$1,503,834, respectively, which is included in liabilities on the statement of financial position. At June 30, 2007 and 2006, the General Fund was due \$0 and \$2,391,620, from the Fund, respectively.

The Federation provided administrative assistance totaling \$657,101 and \$598,687 for the years ended June 30, 2007 and 2006, respectively, to the Albert Shanker Institute (the Institute). These amounts are included in the consolidated statement of expenses. As discussed in Note 1, the Federation allocates a portion of per capita taxes to the Institute. The amount allocated for the years ended June 30, 2007 and 2006 was \$535,747 and \$490,698, respectively, and is included in the General Operations department in the consolidated statement of expenses.

NOTE 5. PROPERTY, EQUIPMENT, AND IMPROVEMENTS

Property, equipment, and improvements consisted of the following at June 30, 2007 and 2006:

	June 30,	
	2007	2006
Land	\$ 5,084,148	\$ 5,084,148
Office building and improvements	32,884,199	32,524,789
Furniture and equipment	<u>12,205,234</u>	<u>12,400,712</u>
	50,173,581	50,009,649
Less accumulated depreciation and amortization	<u>(27,318,922)</u>	<u>(26,147,535)</u>
	<u>\$ 22,854,659</u>	<u>\$ 23,862,114</u>

NOTE 6. MORTGAGE NOTE PAYABLE AND GUARANTEE

Capitol Place I Associates refinanced its property with a \$15,000,000 mortgage loan in July 2003. The loan is payable over 10 years with interest accruing at a per annum rate equal to LIBOR plus 0.75%. Capitol Place I Associates has entered into an interest rate hedge agreement with the lender to provide for a fixed rate hedge against increases in LIBOR. The notional amount of the hedge agreement is \$15,000,000 amortizing as principal payments are made on the mortgage loan. This agreement effectively changes Capitol Place I Associates' interest rate exposure on its floating rate mortgage loan to a fixed 4.09%. The interest rate hedge agreement matures at the time the mortgage loan matures.

The loan is secured by a deed of trust, assignment and security agreement, creating a first lien on the property and all related improvements, fixtures and equipment, all leases and rents with respect thereto, and all contracts and intangible property related thereto. In addition, the lender has required that all amounts payable to the partnership under the interest rate hedge agreement be assigned as additional security under the loan. There are no interest rate hedge settlement

NOTE 6. MORTGAGE NOTE PAYABLE AND GUARANTEE (CONTINUED)

transactions as the lender nets the hedge amount with the floating rate interest amount to equal the fixed rate of 4.09%. In the event that Capitol Place I Associates pays off the mortgage loan before the 10 year term, it could be liable for a yield differential payment to the lender based on the remaining term of the loan. The Federation has also guaranteed the full amount of loan for its entire term.

The mortgage loan agreement with the lender contains various covenants which among other things, requires that the ownership of the property and control of Capitol Place I Associates and the Federation will not change during the term of the loan, and Capitol Place I Associates will not further encumber the property; Capitol Place I Associates and the Federation will indemnify the lender for any environmental liability; the Federation will maintain certain financial ratios related to cash flow and debt service payments and minimum levels of liquidity; and that neither the Federation nor Capitol Place I Associates will be party to a merger, consolidation, acquisition or similar transaction without the written consent of the lender.

The aggregate remaining maturities of the mortgage note payable are:

Year Ending June 30,	
2008	\$ 1,459,731
2009	1,520,566
2010	1,583,937
2011	1,649,948
2012	1,718,710
Thereafter	<u>1,789,688</u>
	<u>\$ 9,722,580</u>

NOTE 7. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assistance payable to state and local federations	\$ 3,106,770	\$ 2,313,275
State federation per capita taxes	1,471,210	2,496,973
Affiliation fees payable	1,558,933	795,818
Accrued employees' welfare benefits	422,132	409,539
Estimated self-insurance reserve - employees' health insurance	360,000	360,000
Other accrued expenses	<u>827,144</u>	<u>604,099</u>
	<u>\$ 7,746,189</u>	<u>\$ 6,979,704</u>

NOTE 8. AFFINITY CARD AGREEMENT

The Federation has entered into a multi-year License Agreement and a List Use Agreement with the AFL-CIO, under which the AFL-CIO has obtained rights to use certain intangible property belonging to the Federation, including the right to use the name, logo, trademarks, and membership lists of the Federation, in exchange for specified royalty payments to be paid to the Federation by the AFL-CIO. In turn the AFL-CIO has sub-licensed the rights to use the Federation's intangible property to Household Bank Nevada, N.A., for use by the bank in connection with its marketing of credit card and certain other financial products to members of the Federation. The current agreement which was effective on March 1, 1997, extends the term from March 2009 to February 2017.

For the years ended June 30, 2007 and 2006, the Federation received affinity card royalties from the AFL-CIO which totaled \$1,575,378 and \$1,221,551, respectively. These amounts are included in program administration and royalties in the statement of activities.

NOTE 9. RETIREMENT PLANS

The Federation contributed 23 percent of eligible employees' salaries to defined contribution retirement plans during the years ended June 30, 2007 and 2006. Total retirement plan expense was \$6,671,437 and \$6,490,689 for the years ended June 30, 2007 and 2006, respectively.

On May 25, 2004, the Federation adopted a defined benefit plan for officers of the Federation who have completed 5 years of service in the capacity of President, Executive Vice President, or Secretary-Treasury, and have served the Federation or any of its state or local affiliates for a period of at least 20 years. The benefit, payable upon retirement, is equal to 60% of final annual compensation and is adjusted annually for an amount equal to Social Security cost of living increases. The surviving spouse of an eligible officer will receive a benefit of 50% of the officer's benefit. Normal retirement age is 62, with a reduction of 6% per year for retirement benefits beginning prior to age 62. Additionally, the monthly benefit is offset by 1/60th of the amount contributed by the Federation on behalf of each eligible officer under the AFT Management Retirement Plan, one of the defined contribution plans maintained by the Federation for its employees.

During the year ended June 30, 2007, the Federation adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Pension and Other Postretirement Plans* (SFAS 158) which requires an employer to recognize the underfunded status of a defined benefit postretirement plan as a liability in its statement of financial position and in changes in unrestricted net assets. This adoption resulted in a decrease in net assets of approximately \$3.6 million related to the defined benefit pension plan. This amount is included in postretirement expenses in the accompanying financial statements.

NOTE 9. RETIREMENT PLANS (CONTINUED)

The annual measurement date is June 30. The net periodic pension cost for the plan for the years ended June 30, 2007 and 2006 is summarized as follows:

	<u>2007</u>	<u>2006</u>
Service cost	\$ -	\$ 159,463
Interest cost	355,036	348,610
Net amortization and deferral	<u>535,832</u>	<u>508,579</u>
Net periodic pension cost	<u>\$ 890,868</u>	<u>\$ 1,016,652</u>

The net periodic pension cost is based on the following weighted-average assumptions at the end of the year:

	<u>2007</u>	<u>2006</u>
Discount rate	6.25%	6.25%
Average rate of compensation increase	3.00%	3.00%

The plan's obligations and funded status as of June 30, 2007 and 2006 is summarized as follows:

	<u>2007</u>	<u>2006</u>
Accumulated benefit obligation	<u>\$ 5,805,045</u>	<u>\$ 5,331,155</u>
Fair value of plan assets	\$ -	\$ -
Projected benefit obligation	<u>6,033,527</u>	<u>5,700,362</u>
Excess (deficiency) of plan assets over projected benefit obligation	(6,033,527)	(5,700,362)
Unrecognized prior service cost and net actuarial losses	-	4,105,531
Minimum pension liability adjustment	<u>-</u>	<u>(3,736,324)</u>
Net accrued pension liability	<u>\$(6,033,527)</u>	<u>\$ (5,331,155)</u>

Employer contributions and benefit payments for the years ended June 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Employer contributions	\$ 40,956	\$ 58,643
Benefit payments	\$ 40,956	\$ 58,643

NOTE 9. RETIREMENT PLANS (CONTINUED)

Estimated future benefits expected to be paid in each of the next five fiscal years and in the aggregate for the five years thereafter are as follows:

Year Ending June 30, 2008	\$ 43,985
2009	235,784
2010	398,501
2011	449,363
2012	467,105
2013 - 2017	<u>3,105,694</u>
Total	<u>\$4,700,432</u>

The plan is unfunded and benefits will be paid from the General Fund of the Federation.

NOTE 10. POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the Federation also provides certain medical and life insurance benefits for retired employees meeting certain minimum age and years of service requirements, based on benefits negotiated in various collective bargaining agreements. Generally, medical and dental benefits are provided until age 65, prescription drugs are provided until death, and life insurance is provided until 70. Substantially all of the Federation's employees may become eligible for certain of these benefits if they retire while working for the Federation.

During the year ended June 30, 2007, the Federation adopted Statement of Financial Position Accounting Standards No. 158, *Employers' Accounting for Defined Pension and Other Postretirement Plans* (SFAS 158) which requires an employer to recognize the underfunded status of a defined benefit postretirement plan as a liability in its statement of financial position and in changes in unrestricted net assets. This adoption resulted in a decrease in net assets of approximately \$6.2 million related to this postretirement benefit plan. This amount is included in postretirement expenses in the accompanying financial statements.

Postretirement benefit costs for the years ended June 30, 2007 and 2006 include the following components:

	<u>2007</u>	<u>2006</u>
Service cost	\$ 407,872	\$ 340,261
Interest cost	443,051	299,653
Amortization of losses	3,276	12,821
Amortization of prior service cost	113,771	-
Amortization of transition obligation	<u>193,622</u>	<u>193,622</u>
Total postretirement benefit costs	<u>\$ 1,161,592</u>	<u>\$ 846,357</u>

NOTE 10. POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFITS (CONTINUED)

The accumulated postretirement benefit obligation at June 30, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Fair value of plan assets	\$ -	\$ -
Postretirement benefit obligation	<u>9,053,458</u>	<u>7,619,352</u>
Excess (deficiency) of plan assets over postretirement benefit obligation	(9,053,458)	(7,619,352)
Unrecognized net actuarial losses	<u>-</u>	<u>5,710,384</u>
 Net accrued healthcare liability	 <u><u>\$(9,053,458)</u></u>	 <u><u>\$ (1,908,968)</u></u>

Weighted-average assumptions used to determine benefit obligations at end of year:

	<u>2007</u>	<u>2006</u>
Discount rate	6.25%	6.25%

The assumed health care cost trend rates used to measure the expected cost of benefits for the year ended June 30, 2007 were assumed to increase by 8.30%. Thereafter, rate increases were assumed to gradually decrease until they reached 5% in 2015.

NOTE 11. FUNCTIONAL ALLOCATION OF EXPENSES

The following is a summary of expenses by functional classification for the years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Organizing and membership services	\$ 59,478,216	\$ 63,417,735
Professional and institutional development	14,549,894	15,024,568
Communications	8,941,550	8,642,065
Unallocable affiliation fees	9,951,238	9,269,450
Governance	9,890,676	8,281,232
Political activities	9,881,333	9,216,897
Collective bargaining	2,354,213	2,136,234
Building operations	3,249,315	2,848,196
Postretirement benefits	11,583,186	-
Solidarity fund	<u>5,431,585</u>	<u>5,068,513</u>
Total program services	135,311,206	123,904,890
General and administrative	<u>20,820,457</u>	<u>20,138,326</u>
 Total expenses	 <u><u>\$156,131,663</u></u>	 <u><u>\$144,043,216</u></u>

NOTE 12. BORROWINGS AND CONTINGENT LIABILITIES

The Federation has lines of credit with two financial institutions at June 30, 2007 for a total amount of \$11,000,000. Interest is payable monthly at the financial institutions' prime interest rate. The lines of credit are secured by cash and investments held by the institutions. At June 30, 2007 and 2006, the Federation had no borrowings or commitments under the lines of credit. However, loans with outstanding balances of \$58,125 at June 30, 2007 have been made against the lines of credit to affiliated local unions which are guaranteed by the Federation.

NOTE 13. COMMITMENTS

The Federation has several non-cancelable operating leases, primarily for office equipment, that expire over the next 2 years. Future minimum lease payments, under noncancelable operating leases for office equipment, as of June 30, 2007 are:

Year Ending June 30,	
2008	\$ 146,946
2009	<u>27,629</u>
Total	<u>\$ 175,575</u>

Rental expense for office equipment leases totaled approximately \$385,720 and \$104,060 for the years ended June 30, 2007 and 2006, respectively.

The Federation also has several office space subleases. Future minimum receipts under these noncancelable office space subleases, excluding executory costs, as of June 30, 2007 are:

Year Ending June 30,	
2008	\$ 188,068
2009	189,066
2010	190,083
2011	87,475
2012	53,985
Thereafter	<u>182,914</u>
Total	<u>\$ 891,591</u>

NOTE 14. CAPITOL PLACE I ASSOCIATES LEASE RENTAL INCOME COMMITMENTS

Leases of space in the office building owned by Capitol Place I Associates provide for base rentals plus provisions for escalation in the event of increased operating expenses, real estate taxes, and changes in the Consumer Price Index. The minimum annual future rental income on noncancelable leases, excluding any lease payments from the Federation, as of June 30, 2007, is as follows:

Year Ending June 30,	
2008	\$1,089,728
2009	1,081,122
2010	1,072,156
2011	<u>688,668</u>
Total	<u>\$3,931,674</u>

NOTE 15. UNINSURED CASH AND CASH EQUIVALENTS

The Federation maintains its cash accounts primarily with two banks in the United States. Total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. At June 30, 2007 the Federation had cash balances on deposit with these banks that exceeded the balance insured by the FDIC by approximately \$5,700,000. Additionally, the Federation had approximately \$610,000 in money market accounts held by investment custodians and \$6,650,000 in bank overnight sweep accounts which are not insured by the FDIC. The Federation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in cash and cash equivalents.

CONSOLIDATING SCHEDULES

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATING SCHEDULE - BUILDING FUND SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2007

	Building Fund	555 New Jersey Avenue N.W., Inc.	Capitol Place I Associates Limited Partnership	Elimination Entries		Consolidated Building Fund
				Debit	Credit	
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 3,440	\$ -	\$ 2,100,076	\$ -	\$ -	\$ 2,103,516
Due (to) from other funds	(3,411,940)	(113,491)	7,461	-	-	(3,517,970)
Investments	-	-	17,929,829	-	-	17,929,829
Other receivables	(57)	-	210,368	-	-	210,311
Prepaid expenses	-	-	193,222	-	-	193,222
Total current assets	<u>(3,408,557)</u>	<u>(113,491)</u>	<u>20,440,956</u>	<u>-</u>	<u>-</u>	<u>16,918,908</u>
PROPERTY, EQUIPMENT, AND IMPROVEMENTS, net	-	-	12,387,470	9,944,309	3,710,436	18,621,343
OTHER ASSETS						
Investment in Capitol Place I Associates Limited Partnership	32,504,775	105,767	-	-	32,610,542	-
Deferred charges	-	-	174,297	-	-	174,297
Total assets	<u>\$ 29,096,218</u>	<u>\$ (7,724)</u>	<u>\$ 33,002,723</u>	<u>\$ 9,944,309</u>	<u>\$ 36,320,978</u>	<u>\$ 35,714,548</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 538,942	\$ 32	\$ -	\$ 538,910
Current maturities of mortgage note	-	-	1,459,731	-	-	1,459,731
Accrued expenses and other liabilities	3,399	-	75,000	-	-	78,399
Total current liabilities	<u>3,399</u>	<u>-</u>	<u>2,073,673</u>	<u>32</u>	<u>-</u>	<u>2,077,040</u>
MORTGAGE NOTE PAYABLE, EXCLUDING CURRENT MATURITIES	-	-	8,262,849	-	-	8,262,849
Total liabilities	3,399	-	10,336,522	32	-	10,339,889
NET ASSETS AND PARTNER'S EQUITY	<u>29,092,819</u>	<u>(7,724)</u>	<u>22,666,201</u>	<u>29,317,951</u>	<u>2,941,314</u>	<u>25,374,659</u>
Total liabilities and net assets	<u>\$ 29,096,218</u>	<u>\$ (7,724)</u>	<u>\$ 33,002,723</u>	<u>\$ 29,317,983</u>	<u>\$ 2,941,314</u>	<u>\$ 35,714,548</u>

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

CONSOLIDATING SCHEDULE - BUILDING FUND SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

	Building Fund	555 New Jersey Avenue N.W., Inc.	Capitol Place I Associates Limited Partnership	Elimination Entries		Consolidated Building Fund
				Debit	Credit	
REVENUE						
Per capita taxes	\$ 1,013,895	\$ -	\$ -	\$ -	\$ -	\$ 1,013,895
Investment revenue, net of expenses of \$86,173	-	-	662,112	-	-	662,112
Net appreciation in fair value of investments	-	-	1,190,764	-	-	1,190,764
Rental revenue on subleased office space	197,670	-	-	-	-	197,670
Rental income, net	-	-	2,444,745	1,207,666	-	1,237,079
Equity in gain of Capitol Place I Investments Limited Partnership-AFT	145,596	1,470	-	147,066	-	-
Other	-	-	-	-	-	-
Total revenue	<u>1,357,161</u>	<u>1,470</u>	<u>4,297,621</u>	<u>1,354,732</u>	<u>-</u>	<u>4,301,520</u>
EXPENSES						
General operations - depreciation and amortization	-	-	1,024,739	-	-	1,024,739
General operations - General Fund rental expense	-	-	-	-	1,170,228	(1,170,228)
Rental expense on subleased office space	37,438	-	-	-	37,438	-
Operating expenses	-	-	2,696,569	-	-	2,696,569
Interest expense	-	-	429,247	-	-	429,247
Other	-	200	-	268,788	-	268,988
Total expenses	<u>37,438</u>	<u>200</u>	<u>4,150,555</u>	<u>268,788</u>	<u>1,207,666</u>	<u>3,249,315</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	1,319,723	1,270	147,066	1,623,520	1,207,666	1,052,205
NET ASSETS AND PARTNERS' EQUITY,						
Beginning of year	27,773,096	(8,994)	19,882,524	23,557,820	233,648	24,322,454
Net partnership transactions affecting equity	-	-	2,636,611	4,136,611	1,500,000	-
Net assets and partners' equity, end of year	<u>\$ 29,092,819</u>	<u>\$ (7,724)</u>	<u>\$ 22,666,201</u>	<u>\$ 29,317,951</u>	<u>\$ 2,941,314</u>	<u>\$ 25,374,659</u>