

The Society for Human Resource Management believes that **talent management** is one of the top issues facing businesses and the workforce. Throughout 2006, SHRM worked to help organizations and individuals increase their talent quotient and accomplish superior performance.

This report details our efforts to serve the HR professional and advance the HR profession.

A Message from the Chair and from the President

With potential skills shortages looming in the next decade as nearly 43 percent of the workforce become eligible for retirement, attracting, developing, motivating and retaining talent has become an even higher priority for HR professionals and a key focus area for SHRM.

In today's highly competitive global economy, the increasingly fierce search for "the best and the brightest" is being waged on a global scale. Following a year-long study involving 77 companies, McKinsey & Company described this competition as "The War for Talent."

Whether you agree with that characterization, there is no question that in the coming years organizations will face a "talent challenge" and will have to devise creative hiring practices and employ effective recruiting strategies to obtain a skilled, engaged employee base.

At the same time, the global shift to a knowledge-based economy and the worldwide demand for expert knowledge workers has put the spotlight on the value of HR. C-suite executives are now looking to HR to create a meaningful differentiation between their companies and the competition, and we must respond with innovative and effective talent management strategies that directly support our organizations' business goals.

With this in mind, we dedicate our 2006 Annual Report to all of our 225,000 dedicated members who are involved in the effort to recruit, train, develop, and retain talented employees through the creation of a positive workplace culture. Jobs that will become even more vital—and challenging—as baby boomers start retiring in greater numbers and the pool of skilled workers decreases.

SHRM has a wealth of resources available to help HR professionals and the business community at large confront the talent challenge. We outline in this report many of these resources and specific programs we have implemented during 2006. We also want to recognize the incredible talent and dedication of HR professionals.

Because of space limitations, we could only include some of the most outstanding examples of their accomplishments in this report. But we applaud and thank all of our colleagues and partners for making 2006 one of the most productive and rewarding years in the Society's 59-year history.

2006 SHRM Board of Directors



FROM LEFT TO RIGHT

FRONT ROW: Nancy Volpe, SPHR – Board Secretary; Susan R. Meisinger, SPHR, President & CEO; Janet N. Parker, SPHR, Board Chair; Robb Van Cleave, SPHR, IPMA-CP;

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Janet N. Parker



Janet Parker, SPHR
Board Chair

Susan R. Meisinger



Susan R. Meisinger, SPHR
President & Chief Executive Officer

THE TALENT CHALLENGE

Talent. It's what made Bach a musical genius, Salk a medical miracle worker and Gates a technological mastermind. The talented people in your organization may not have such recognizable names. But their ingenuity, experience, knowledge, leadership, and capabilities make them just as important to your organization. Talented people are your key competitive differentiator and the driving force behind business performance. Leading organizations around the world are fueled by talented people that are recruited, sustained and motivated by HR professionals.

Over the years, the term "talent" has come to mean any individuals who have the capability to make a significant difference to the current and future performance of a company¹.

R. T. Mucha wrote in the *Organization Development Journal*, "The ability to execute business strategy is rooted in the ability to attract, retain, and develop key talent. Successful talent management creates the most enduring competitive advantage. No company can afford to be unprepared for both the best and worst of times."²

The biggest questions surrounding talent are: How do we attract talent? Develop talent? Spotlight talent? Leverage talent? And, how do we do all that in an ever-changing, demographically evolving, rapid-paced, global business environment?

Time and again, these themes have been among the questions from hundreds of HR professionals who attended town-hall style meetings around the country hosted by SHRM President and CEO Susan Meisinger in 2006.

Research by McKinsey & Company found that about half of the corporate officers at highly performing companies strongly agree that improving the talent pool is one of their top three priorities. This compares to just 30 percent of corporate officers at average performing companies who said the same.³

McKinsey interviewed business leaders at multinational companies about the most critical obstacles preventing talent management programs from delivering business value. More than half said that senior managers don't spend enough high-quality time on talent management.

Half also said that line managers are not sufficiently committed to people development and senior leaders do not align talent-management strategy with business strategy.⁴

Many organizations spend countless hours on the budget process, but little time discussing the state of organizational talent and how to leverage it. Because it is talent that drives each unit, companies are risking the high cost of not making talent management a priority.

In a study by The Economist and Development Dimensions International, 35 percent of the CEOs interviewed said they spend 30 to 50 percent of their time on talent management. Among the top factors for increased CEO involvement are the shift towards intangible assets such as talent, and increased board scrutiny in relation to both ethics and performance.

HR professionals are taking advantage of this opportunity to partner more closely with the CEO and board. Respondents in The Economist study reported that HR is now responsible for executing talent management strategy, being custodians of the talent management process and providing guidance and fresh thinking about talent management programs.

HR plays an integral role, but the ultimate leadership on talent must come straight from the top. Every day, the CEO and other senior leaders must demonstrate that talent management is a priority in all they do, communicating the standards and caliber of people who are recruited, trained and retained.

During his many years with The Gallup Organization, Marcus Buckingham researched the world's best leaders and workplaces. He says that "Talent is a multiplier. The more energy and attention you invest in it, the greater the yield will be. That's why the best leaders are relentless at seeking out, shadowing, studying and highlighting the lessons of their own top performers."⁵

Talent management has never been more critical. A 2006 report released by SHRM on top trends likely to have a major impact on the workforce shows that the challenges are abundant, but so are the opportunities for HR to contribute and shine. At big companies and small firms alike, HR professionals around the globe are finding and attracting talent in innovative ways.

HR professionals are investing efforts to ensure a highly talented workforce in the future by partnering with local schools and programs to guide and prepare students for the right careers.

HR professionals are leading strategies to hone the talents of existing employees and make sure their strengths become the organization's strengths.

HR professionals are driving ethics programs and corporate social responsibility initiatives and helping influence the public policy issues that will shape tomorrow's employment landscape.

HR professionals are aligning workforce strategies to support the achievement of overall organizational strategies and objectives. HR professionals are working with their senior leadership teams to manage organizational change, improve workplace culture and communication, and help identify and address the challenges and opportunities that will affect organizational success. The HR profession is like that of the surrounding business environment — ever evolving.

There are plenty of stellar role models—both in terms of organizations and HR professionals. There are also plenty of resources and educational opportunities for HR professionals to call upon, including talent management programs. The remainder of this report will provide an overview of the activities of SHRM in 2006 and early 2007 to work for talented people and talented organizations.

¹ Lockwood, N., Talent Management Series Part I, *Briefly Stated*, July 2005, Society for Human Resource Management, www.shrm.org/research/briefly_published/Talent%20Management%20Series%20Part%20I_%20Talent%20Management%20overview.asp

² Mucha, R. T. (2004, Winter). The art and science of talent management. *Organization Development Journal*, 22, 4, 96-101.

³ Handfield-Jones, H., Michaels, E., Axelrod, B., Talent Management, *Ivey Business Journal*, Nov – 2001, Richard Ivey School of Business at the University of Western Ontario, www.iveybusinessjournal.com/view_article.asp?intArticle_ID=316

⁴ Guthridge, M., Komm, A., Lawson, E., The people problem in talent management, *McKinsey Quarterly*, (2006, No. 2), McKinsey & Company, www.mckinseyquarterly.com/article_page.aspx?ar=1755&L2=18&L3=31

⁵ LaBarre, P., Marcus Buckingham Thinks Your Boss Has an Attitude Problem, *Fast Company*, Issue 49, July 2001, Page 88, www.fastcompany.com/online/49/buckingham.html



RESPONSE TO THE TALENT CHALLENGE

Around the world, SHRM members are developing the strategies that create superior organizations. SHRM helps provide the resources and information for our members to accomplish this important work. We promise to help them do their job better, develop professionally, connect with others and set strategy, all while helping CEOs recognize the value of the HR role in improving business performance.

- **Attracting Talent** – by being a career partner for success
- **Developing Talent** – by offering world-class educational opportunities and programs
- **Spotlighting Talent** – by showcasing the talents of HR professionals within organizations and highlighting their influence in public policy advocacy
- **Leveraging Talent** – by helping HR professionals tap into the talent that already exists in their organizations
- **Strengthening a Talented Organization** – preparing the organization for the future by staying focused on member satisfaction and being driven to accomplish our mission

ATTRACTING TALENT

By being a career
partner for success





**INFOSYS
TECHNOLOGIES
LIMITED,
KARNATAKA, INDIA**

The winner of the 2006 SHRM Human Capital Leadership *Competitive Workforce Award*, Infosys is responding to the war for talent by hiring globally, training to suit at the best facility and deploying globally to deliver value. In late 2005, the company executed a program to hire 300 promising students from the best campuses in its biggest market: the United States. New recruits were brought to the world-class Infosys Global Education Center in India to imbibe the Infosys culture and way of working and then return to the U.S. to serve clients as true blue Infoscions.

PICTURED:
Karthik Sarma,
Associate VP of Global HR;
Patrick Payne,
U.S. Campus Recruitment Manager

ATTRACTING TALENT

From Fortune 500 companies and government agencies to non-profits and small firms, attracting talent is a huge challenge. Resumes and applications can be abundant, but finding the right people for the right positions is the goal. For SHRM, recruitment is always a priority. The larger our membership, the more opportunity we have to be a career partner for HR professionals to help them be successful in their work. Within SHRM's member benefits package is access to a wealth of free information available one click away on SHRM Online. HR professionals who are wise and well-informed are indispensable. SHRM is committed to keeping our members "in the know" through thought-provoking articles, fresh and timely news content, resource databases, online media tools, and immediate expert assistance, among other resources.

SHRM MEMBERSHIP	SHRM's membership grew to more than 217,000 in 2006 with 49,162 new professional members and 8,184 new student members; the most new members recruited in a single year in the association's history.
SHRM ONLINE	<p>In late 2006, SHRM Online launched a multimedia initiative aimed at enhancing content with online video and audio elements. Collecting more than 20 hours of footage, SHRM deployed a number of videos to support news and <i>HR Magazine</i> features.</p> <p>With content just a click away, SHRM offered 45 webcasts free to members. Among the topics offered are managing change, the global war for talent, the ROI of talent acquisition, and workforce planning, among many others. An archive of the webcasts is available on SHRM Online. Nearly 50 podcasts have also been made available for selected SHRM webcasts. Members may download the audio portion of a webcast onto a personal audio player, such as an iPod, and listen to it when and where they want. In early 2007, SHRM launched the HR Week Podcast, a weekly digest of HR news and information, available for free to our members.</p> <p><i>HR News</i> published nearly 600 news articles in 2006. This free daily online news service captures breaking news of importance to HR professionals and provides timely analysis and advice based on the top issues.</p>

	<p>SHRM Online launched a new State Workplace Law News page in early 2006 to provide more targeted, state-specific information. State legal news was added to the first issue of <i>HR Week</i> each month, customizing SHRM's weekly e-newsletter to distribute 52 editions of the newsletter with employment law news specific to the recipients' home state or territory.</p> <p>Averaging nearly 80,000 unique member visitors per month—or nearly one million total member visits during 2006—SHRM Online experienced an eight percent increase in member visits over the previous year. More than nine in ten members used the site at least once during the year.</p>
LINE	<p>The SHRM/Rutgers Leading Indicator of National Employment® (LINE™) index built name recognition among economists, monetary and fiscal policy makers, and HR and other business leaders in 2006. The index, which tracks total employment and vacancies, recruiting difficulty, new hire compensation, and employment expectations, is now carried by major data service providers for the finance sector and received coverage by news media such as Bloomberg news, CNNMoney, and <i>The New York Times</i>.</p>
SHRM RESEARCH	<p>Interesting and relevant research is one of the top ways for members to stay connected to trends in the profession generally and on specific topics. A total of 16 surveys were fielded and reported by SHRM in 2006 on topics such as talent management, strategic HR, and succession planning. In early 2007, SHRM released the results of a pilot study conducted in partnership with HR associations in seven countries about corporate social responsibility.</p> <p>In 2006, SHRM fielded a new Human Resource Competency Study to identify the key competencies of HR professionals that add value to their organizations. The study is a joint effort between University of Michigan professors Wayne Brockbank and David Ulrich of the RBL Group, SHRM, and other international associations. Summarized findings will be available to members, included in the June 2007 issue of <i>HR Magazine</i>.</p> <p>SHRM also released four <i>Research Quarterly</i> articles and 12 <i>Research Translation</i> articles, which provide a close-up view of current research from the academic community.</p>

LINE

Since becoming sponsor of the new .jobs World Wide Web suffix in 2005, SHRM continues to create awareness for the benefit of using a .jobs domain as part of an organization's online recruiting arsenal. The suffix exists exclusively for organizations to post open positions by setting up web pages with their company name followed by .jobs. Thousands of organizations now have a .jobs domain, including SHRM (www.shrm.jobs).

TRENDS FORECASTING

Through our Workplace Trends and Forecasting initiative, SHRM produced our biennial Workplace Forecast Report based on extensive research, including the opinions of approximately 170 members of our Special Expertise Panels. The report forecasts key issues that will have the greatest influence on the workplace in the next decade, as well as the actions HR professionals are taking to address these matters.

In the fall of 2006, SHRM held a symposium on Health Care Costs and the Future of U.S. Competitiveness. Bringing together HR leaders and leading experts on health care costs, policy, and benefit trends, the symposium spurred discussions on how health care costs are influencing the way Americans work.

Surveys, and other SHRM-produced research initiatives, such as the LINE index and an executive summary of the symposium on health care costs, are available free to members on SHRM Online.

NEWS PUBLICATIONS

HR Magazine[®], SHRM's flagship publication, featured cover stories on such topics as HR's effect on the bottom line, ethics, HR in India and HR's role in branding. In addition, the magazine was named one of the Top 10 business magazines by the American Society of Business Publication Editors and won a Gold Award for General Excellence from the Society of National Association Publications.

SHRM BOOKS

As a book publisher, SHRM released several new titles in 2006, including four books in our Business Literacy for HR Professionals series with Harvard Business School Publishing.

The New American Workplace was funded by SHRM and published in 2006. The book included a foreword by SHRM President and CEO Susan Meisinger, SPHR, and was coauthored by University of Southern California professors Edward E. Lawler, III, and James O'Toole. Thirty years ago, O'Toole wrote *Work in America*, which received national acclaim, including front-page coverage in *The Wall Street Journal*. The book sounded an alarm about worker dissatisfaction and the effects on the nation as a whole. The new book shed light on what has changed—and what hasn't.

KNOWLEDGE CENTER

SHRM developed reference content for members, including the addition of more than 36 sample HR forms, 47 sample policies, and 50 job descriptions to SHRM Online. Sixteen toolkits were posted to the archive of 87 toolkits currently offered on a variety of topics, including business literacy, the Fair Labor Standards Act, and paperless HR.

The SHRM Information Center continues to be a critical information source for SHRM members, responding to nearly 198,000 requests in 2006, up from 150,000 in 2005. Slightly more than half of the SHRM membership used our services at least once during the year.

DEVELOPING TALENT

by offering world-class
educational opportunities
and programs





**PORTLAND
HUMAN RESOURCE
MANAGEMENT
ASSOCIATION,
PORTLAND
OREGON**

Working to address the shortage of skilled workers and trained youth in the Portland/Vancouver area, this SHRM chapter created ongoing partnerships between the chapter, and local businesses, educational institutions, and nonprofit workforce development organizations. See page 39.

PICTURED:
Penny McBain, PHR;
Karina Mangione;
Mike Stachowiak

DEVELOPING TALENT

Recruiting talent is critical, but an organization is short-sighted without a plan to enable people to contribute to their maximum ability. As Marcus Buckingham has said, "In the corners of every big company... there are hundreds or thousands of them [extraordinary people] toiling away in relative obscurity. If you find them and shine a light on them, they will point the company's way to the future." SHRM wants to ensure that our members have access to the highest quality educational programs possible so they, in turn, can help develop the talents and abilities of their workforces.

SHRM CONFERENCES

In 2006, SHRM conducted a thorough review of our conferences to ensure maximum alignment of every aspect of the conference with our intended audience. In June, SHRM hosted our 58th Annual Conference & Exposition in Washington, D.C. More than 20,000 attendees, exhibitors and speakers participated.

SHRM's Employment Management Association Conference & Exposition in San Diego and our Employment Law & Legislative Conference in Washington, D.C. both exceeded attendance expectations. The SHRM Global Conference & Exposition, held in Las Vegas, and the SHRM Diversity Conference & Exposition, held in Los Angeles, were both very successful events. The SHRM Strategic HR Conference, which was held in Phoenix, and which is designed for senior level HR professionals, sold out six weeks in advance.

The 2007 SHRM conference season is in full swing, including the 59th Annual Conference & Exposition in Las Vegas, featuring Lance Armstrong as the opening keynote speaker, Daniel Pink, the author of *Free Agent Nation*, and Erin Gruwell, the subject of the recently released movie "Freedom Writers".

EXECUTIVE EDUCATION

SHRM introduced new programs for HR professionals in the federal sector in 2006. In conjunction with the Annual Conference, more than 50 Chief Human Capital Officers from various federal agencies attended the Transformation Efforts on the Human Capital Front program, featuring David Gergen. In addition, the new HR in the Public Sector: Meeting Critical Challenges program, was held in collaboration with Harvard Business School Publishing.

Also in conjunction with Harvard Business School Publishing, SHRM hosted six regional events for HR executives in 2006 as part of the Executive HR Network. EHRN is an exclusive program for senior HR professionals, developed to bring together forward-looking HR leaders from top organizations. EHRN programs will also be held in 2007.

In partnership with the Wharton School of the University of Pennsylvania, SHRM introduced a new certificate program, "Emerging Perspectives in HR" at the Annual Conference.

The 2007 Annual Conference will be the locale for two new executive education certificate programs, including Talent and the Top Performing Organization, presented with Harvard Business School Publishing, and Sustaining a Competitive Advantage Through a Culture of Excellence, in partnership with the Disney Institute.

SHRM ACADEMY

Designed to help HR professionals develop a deeper understanding of business essentials, the SHRM Academy offered courses in finance, strategy, implementation management, and communication. The Academy experienced continued growth in 2006.

SHRM® LEARNING SYSTEM

The SHRM Learning System continues to be the premier tool for preparation for HR professionals seeking certification by the Human Resource Certification Institute (HRCI), an affiliate of SHRM. Over the past 14 years, SHRM has grown from three original college and university partners to a network of nearly 250 academic partnerships around the world who utilize the Learning System in the programs they offer. In early 2007, the new SHRM® Global Learning System was piloted to seven schools: it will be rolled out to all our partners in the fall.

HR CAREER GUIDE

A new SHRM® HR Career Guide, available on our website, premiered at Annual Conference to help members assess where they currently are in their careers, where they'd like to be in the future, and how SHRM can help them achieve their goals.

CURRICULUM
REQUIREMENTS

To define the minimum curriculum requirements for undergraduate and graduate programs in HR management, the SHRM[®] Human Resource Curriculum Guidebook and Templates was launched to the academic community. The guidebook, developed with the input of leading HR educators, professionals and students, lists content areas SHRM believes all HR students should study.

LOSEY RESEARCH AWARD

The Michael R. Losey HR Research Award was presented to Professor Gary Latham in 2006 by SHRM, the SHRM Foundation and HRCI from the Michael R. Losey endowed research fund. Dr. Latham is the Secretary of State Professor of Organizational Behavior at the University of Toronto's Rotman School of Management and has carried out groundbreaking research and notably influenced four domains within HR management. The annual award of \$50,000 recognizes HR researchers or professionals whose contributions significantly advance the HR management field.

SHRM FOUNDATION

The SHRM Foundation, which funds research, publications and education to advance the HR profession, raised nearly \$575,000 in 2006, passing the half-million dollar mark for the first time. SHRM chapters and state councils were crucial to the campaign's success, contributing 62 percent of the funds. In addition, HRCI donated \$1.5 million and SHRM donated \$250,000 to the Foundation. SHRM also granted the Foundation \$200,000 to conduct a strategic research project. The project will explore the crucial challenges facing chief human resource officers and what tools, information and resources they need to face those challenges. As a result of the increase in revenue, the SHRM Foundation Board of Directors voted to double the amount of money it designates for regional scholarships, to a total of \$100,000 annually for eligible SHRM members pursuing an HR degree or PHR, SPHR, or GPHR certification. The Foundation Board also increased the amount of grant funding it awards to a maximum of \$200,000 per project.

HUMAN RESOURCE
CERTIFICATION INSTITUTE

More than 25,000 professionals registered in 2006 to take the Professional in Human Resources (PHR), Senior Professional in Human Resources (SPHR) and Global Professional in Human Resources exams administered by the Human Resource Certification Institute (HRCI), an affiliate of SHRM. A total of 87,000 professionals are currently certified by HRCI, including 682 with a GPHR certification. A study tool for the GPHR exam, the *GPHR Certification Guide* was published in 2007 and includes sample test questions and study tips, among other resources.

California became the first state selected by HRCI for a state-specific certification. Applicants for the exam, launched in 2007, must first be PHR or SPHR certified.

SPOTLIGHTING TALENT

by showcasing the talents of
HR professionals within
organizations and highlighting
their influence in public
policy advocacy





**NORTHERN
NEVADA HUMAN
RESOURCES
ASSOCIATION,
RENO, NEVADA**

Harnessing the power of the news media in a positive way, this SHRM chapter has made important strides in spotlighting talent within HR and advancing the HR profession by partnering with their local business journal. The result is a guide to HR best practices that is seen by thousands of business leaders. See page 38.

PICTURED:

Pete Copeland;
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Mike Rainey, SPHR

SPOTLIGHTING TALENT

As every good manager knows, people require different incentives and rewards for performance, but all need to know that they are valued. Highest job satisfaction comes from people whose value is unquestionable because their job is to help others, such as firefighters. Not everyone's job, however, makes them a hero. Others need reinforcement that their contributions are important to the organization and its goals. In short, they need to know that whatever they do matters. HR professionals are also motivated to contribute their personal best when their organization's leadership recognizes the significant value in their work. SHRM works to increase recognition for the value of the HR profession through a variety of vehicles such as positive news coverage and increased influence for HR in public policy.

When surveyed, SHRM members rate SHRM's efforts to increase recognition of HR very highly. In fact, 82 percent found SHRM's efforts highly effective. Below are a few of the initiatives that support SHRM's mission to advance the HR profession.

CEO EXCHANGE	For a second season, SHRM is pleased to be the exclusive sponsor of the "CEO Exchange" TV program, a unique business series taped at leading business schools. The one-hour program, produced by WTTW-Chicago and broadcast on national public television, features two dynamic and visionary chief executives in conversation with each other and the host, CNN senior analyst Jeff Greenfield. Featured CEOs are from companies such as Coca-Cola Company, Intel, Sony and GE, among others. The series is broadcast in 21 of the top 25 U.S. markets.
MARKETPLACE MORNING REPORT	Reaching more than 13 million listeners each week, SHRM is in our fifth year as a sponsor of "Marketplace Morning Report", which airs on National Public Radio stations across the country. The sponsorship enables SHRM to reach business audiences with the key message "HR: Leading People, Leading Organizations." In 2006, SHRM helped develop and sponsor Marketplace's new series "Conversations from the Corner Office", a monthly segment which features CEOs and discusses their leadership, business, and people management strategies.

CNBC

SHRM continues to work closely with CNBC, to identify opportunities to highlight the HR profession. Among the targeted exposure opportunities were the 2006 World Economic Forum in Davos Switzerland; six 30-second vignettes on strategic HR issues that aired on CNBC; and nine monthly billboards that highlighted monthly LINE economic data during CNBC programming.

MEDIA RELATIONS

In addition to paid media time and sponsorships, SHRM continues to reach millions of targeted audience members through non-paid proactive efforts. In 2006, SHRM research and expertise was cited in more than 5,000 news media stories, reaching several hundred million readers, viewers and listeners that SHRM considers target audiences for our messages that advance the HR profession. Among the publications that regularly publish news stories citing SHRM as a workplace authority are the *Wall Street Journal*, *The New York Times*, and *The Washington Post*, as well as *Forbes*, and *Fortune* magazines. SHRM also appeared in stories broadcast on NBC's "Today" show and ABC's "20/20", among other national television and radio programs.

MAGAZINE COLUMNS

Under the byline of President and CEO, Susan Meisinger, articles that highlight issues of importance to the global HR community regularly appear in magazines such as *European CEO* and *World Finance*, which reach high-level international business leaders. A column on HR's prominence at the 2006 World Economic Forum Summit appeared in *New Capital*, a leading Chinese magazine.

HUMAN CAPITAL LEADERSHIP AWARDS

In October of 2006, SHRM presented our first Human Capital Leadership Awards in conjunction with our Strategic HR conference. The awards recognize HR leaders who serve as essential partners in developing and executing organizational strategy. Categories recognize strategic leadership, innovative business solutions, competitive workforce programs and a human capital business leader who has advanced the profession in a significant way. More than 140 nominations were received, including 9 percent from international organizations. *HR Magazine* published a 19-page article spotlighting the winners. Several of the finalists are also highlighted in this report.

BEST COMPANIES LIST

For the third year, SHRM published the list of the 50 Best Small and Medium Companies to Work for in America, in conjunction with the Great Place to Work® Institute. The number of nominees increased by more than 20 percent from the previous year. The awards were announced at the SHRM Annual Conference and reported on by 177 news media outlets, including Reuters, the Associated Press, Knight Ridder and *USA Today*.

SHAPING PUBLIC POLICY

The 109th U.S. Congress was busy and productive. SHRM members sent nearly 32,000 letters to members of Congress, state elected officials, and regulatory agencies; more than doubling the number written in 2005. To encourage participation in the legislative process, SHRM sponsored 20 “Day Inside the District” and six “Day Inside the Beltway” events with chapters and state councils. These events feature meetings with elected officials or their staff members to initiate dialogue on top HR public policy matters. A few of the top issues are described in the following paragraphs.

LEGISLATIVE ISSUES

Pension Protection—SHRM devoted significant time advocating for the Pension Protection Act, and played a leading role in supporting the defined-contribution provisions of the new law which include liability protection for investment advice. Members sent more than 6,500 letters to Congress and made approximately 350 visits to Capitol Hill. The bill was signed into law in August, 2006.

Family Leave—As the Chair of the National Coalition to Protect Family Leave (NCPFL), SHRM continues to play a leading role in the effort to improve the Family and Medical Leave Act (FMLA) for employers and employees. SHRM relaunched the Coalition’s website, surveyed members for their views and hosted three regional public sessions. SHRM submitted a comprehensive response to the Department of Labor’s (DOL) Request for Information on the effectiveness of the FMLA regulations in February 2007.

Immigration Reform - Immigration reform has become a hot issue across the country and SHRM is actively engaged in congressional efforts on the topic, focusing on the employment verification and employment-based legal immigration

provisions. SHRM established an expert working group on the Employment Verification Program. In addition, we founded the HR Initiative for a Legal Workforce Coalition to develop principles that will ensure a verification system that is acceptable to HR professionals. More than 7,000 letters have been sent to Congress from SHRM members on the topic in 2006.

State Affairs—SHRM also has encouraged our members to educate their state elected officials on a variety of HR public policy issues and has partnered with 27 of our state councils on 19 issues, including weapons in the workplace, mandated benefits, and paperless payroll issues, among others.

REGULATORY ISSUES

SHRM continued to build new working relationships with the Executive Branch by creating an alliance with the DOL’s Office of Disability Employment Policy to provide information, guidance and access to resources that will help promote the employment of persons with disabilities. SHRM also initiated meetings at the U.S. Treasury Department to establish collaboration on a program to promote financial literacy. Selected as a delegate by the DOL, SHRM President and CEO Susan Meisinger participated at the agency’s 2006 National Summit on Retirement Saving. The summit worked to facilitate the development of educational programs on personal savings strategies, among other goals.

INCREASING VISIBILITY

In an effort to encourage participation by HR professionals in the November elections, SHRM posted a special HR Vote page on SHRM Online to provide nonpartisan information. Working to increase visibility for HR professionals and their role in advocacy, SHRM sponsored and participated in events by both the Democratic Leadership Council and the Republican Main Street Partnership in September.

SHRM has embarked on an ambitious public policy agenda for 2007. With new leadership, the 110th Congress and many state legislatures are planning to focus on a variety of HR issues, including immigration reform, workplace flexibility, expanded employee benefits, workplace safety and health care. SHRM will continue to be the voice of the profession on these important public policy initiatives.

LEVERAGING TALENT

by helping HR professionals
tap into the talent that
already exists in their
organizations





**ARUP,
SAN FRANCISCO,
CALIFORNIA**

A global design and consulting firm with 10,000 projects at any given time, Arup was a finalist in the 2006 SHRM Human Capital Leadership Awards. Their approach to knowledge management is clearly intended to leverage the talent and experience within their global workforce to the fullest. The firm launched a multi-prong approach to knowledge management, including the creation of a large internal website with key data and images from all its projects; skills networks to communicate project developments, advances in technology and thinking worldwide; and a 'brains bank' to put individuals in touch with colleagues who have worked on similar projects.

LEVERAGING TALENT

Leadership expert Warren Bennis said, "Great things are accomplished by talented people who believe they will accomplish them." Taking Bennis' statement one step further, leveraging talent means helping talented people believe they can accomplish great things. To inspire and motivate employees, organizations must help employees uncover their hidden talents, communicate with them about organizational challenges, and help them use their talents to solve those challenges and create value for the organization. Recognizing that the vital contributions of our members, chapters, state councils, volunteer leaders and staff in achieving our mission, SHRM depends on these talented groups in a variety of ways.

<p>VOLUNTEER LEADERS</p>	<p>SHRM's volunteer leaders remain the engine of the organization, driving our mission and programs far into the corners of the profession and helping it reach HR professionals in all sectors, industries, geographic locations, stages of career, and levels of development. SHRM's Volunteer Opportunities Center (VOC)—an online volunteer applicant tracking system—captured 2,223 volunteer profiles in 2006, a 71 percent increase over 2005. In addition, SHRM extended the use of our online Volunteer Opportunities Center to State Councils to help them promote open council positions and increase volunteer recruitment.</p>
<p>WEBCAST SERIES FOR VOLUNTEERS</p>	<p>To improve communication and support to our volunteer leaders, SHRM held 23 free webcasts in 2006 on a variety of topics specific to chapters and state councils ranging from leveraging technology to strategic planning. Approximately 45 webcasts have been archived and made available to volunteers through SHRM Online.</p>
<p>SPECIAL EXPERTISE PANELS</p>	<p>Nearly 200 HR professionals volunteer on one of SHRM's Special Expertise Panels, serving as resources by identifying and reporting emerging trends in specific HR topic areas, offering expert advice on matters of professional significance, and providing guidance on matters of public policy. SHRM panel members possess advanced HR knowledge in one of 13 panel concentrations. The SHRM Board of Directors approved the creation of a new Corporate Social Responsibility Panel in 2006, based on the recommendations of volunteer leaders and in recognition of the growing global importance of the issue.</p>

STUDENT PROGRAMS

With 10,870 student members at the end of 2006, SHRM rolled out several new initiatives to strengthen student chapters to help students during the year. Among the initiatives is a new Student Career Center web page launched through SHRM Online, providing resources to help students find their first HR position. SHRM also implemented a tiered student conversion program to assist students making the transition from backpack to briefcase. Under the new structure, students receive their first year of professional membership for free, the second year renews at half-price, and the third year at the regular professional membership rate. The goal of the program is to keep our recent graduates engaged and focused on careers in HR as they search for jobs in the field.

After the pilot of two successful SHRM Regional Student Conferences in 2006, the program was rolled out to all five regions in 2007. These conferences have been created to engage students at the regional level, as well as create additional educational and networking opportunities for them.

AFFILIATE WEBSITE PROGRAM

To help affiliated chapters and state councils expand the reach of their programs, SHRM substantially expanded our free website program, hosting nearly 100 free websites for chapters and state councils across the U.S. SHRM supports the sites while providing quarterly newsletters and training information to assist these groups in making the most of their web presence. SHRM is helping chapters and state councils offer rich content on their websites by providing news feeds of HR News articles. As of early 2007, a total of 252 chapters and 41 state councils were using the feeds.

SHRM SPEAKERS BUREAU

To assist chapters with identifying high quality, affordable speakers for our educational programs and events, the SHRM Speakers Bureau fulfilled 163 requests from chapters and state councils for SHRM speakers, five percent more than the previous year. Four new speech topics were introduced in 2006: HR Scenario Planning, Health Care Issues, Workforce Readiness, and Talent Management. The bureau continues to grow in value as a vehicle to advance the profession with 34 presentations to non-SHRM groups that are among our targeted audiences. Among the most important opportunities to deliver key messages in 2006 was a presentation on ethical issues in human resources to top HR executives from all 31 major league teams of Major League Baseball.

2006 PINNACLE AWARD WINNERS

More than 575 affiliated professional chapters employ a diverse range of programs to help SHRM serve the HR professional and advance the HR profession. To recognize the best of these programs, SHRM hosts the Pinnacle Awards at our annual Leadership Conference. The award winners are highlighted in the following section.

ALABAMA SHRM STATE COUNCIL - SOUTHEAST REGION

TITLE: THE IMPACT OF HUMAN CAPITAL ON THE HILL

Among the most important efforts to spotlight the HR profession are those that involve advocating for public policy that promotes a fair, flexible, and competitive workforce. The Alabama SHRM State Council initiated a program that works to establish relationships with members of Congress from Alabama so State Council members can serve as a credible resource on employment legislation. The program educates SHRM members from Alabama about the legislative process and how to help shape it, as well as key legislative issues. The State Council offers financial stipends for the delegates who participate in Hill visits. A similar outreach at the state level has allowed the state council to draft legislation designed to combat violence in the workplace.

HR ASSOCIATION OF BROWARD COUNTY – SOUTHEAST REGION

TITLE: FACETS 2006: CELEBRATING THE FACETS OF DIVERSITY, A COMMUNITY CARNIVALE

Recognizing the rich diversity of their Florida, community, the HR Association of Broward County (HRABC) SHRM chapter began a program to help their community embrace its diversity and to provide resources for workplace diversity programs. HRABC hosted its Facets program at the local convention center to bring together the South Florida HR community and diverse community-based organizations to promote their shared knowledge and purposes. As a result of the program, local HR professionals became more aware of local diversity resources, partnerships were strengthened, and chapter members expanded diversity efforts within their organizations. The Facets program was recognized by Florida's governor, Broward County's mayor and the Sun-Sentinel and The Palm Beach Post newspapers.

NORTHERN NEVADA HUMAN RESOURCES ASSOCIATION – PACIFIC WEST REGION

TITLE: ADVANCING THE PROFESSION: "WIN-WIN" PARTNERSHIPS

Proving the value of building relationships with the news media, the Northern Nevada Human Resources Association (NNHRA) chapter of SHRM partnered with the Northern Nevada Business Weekly to produce the Best Practices: Human Resources & Employment Guide. The stand-alone 24-page supplement to the Business Weekly is distributed to more than 70,000 subscribers, including local CEOs, business owners, line managers and HR professionals. A valuable and timely source of information on leading-edge HR management issues and practices, it is considered a "go-to" reference guide throughout the year. Articles are submitted by chapter HR experts and reviewed by a chapter editorial panel. Due to the display advertising sold, there is no cost to the chapter.

PORTLAND HR MANAGEMENT ASSOCIATION - PACIFIC WEST REGION

TITLE: STUDENT WORKFORCE READINESS PROJECT

The Portland, Oregon, HR Management Association's Student Workforce Readiness Project addresses the shortage of skilled workers and trained youth in the Portland/Vancouver area, which has a direct impact on the area's economic recovery and development. The project involves three SHRM chapters and creates ongoing partnerships between the chapters and the local business community, local educational institutions, and nonprofit workforce development organizations. A volunteer force of trained HR professionals was created to link HR expertise with the region's strategic needs. Several career fairs, career training opportunities, and more than 300 mock interviews have been offered. The chapter plans to roll out programs with 15 nonprofit organizations, three high schools and two community colleges, raising the awareness of HR serving the community, and meeting critical business needs.

LAKE WASHINGTON HUMAN RESOURCE ASSOCIATION – PACIFIC WEST REGION

TITLE: LWHRA E-NETWORKS

Aiming to create connections among members who may not meet face-to-face, the Lake Washington Human Resource Association (LWHRA) chapter of Bellevue, Washington, developed a networking program using Yahoo! Groups as the hosting vehicle. The online networks focus on the key HR functional areas of recruiting; training and development; and compensation and benefits, allowing members to share information, ask questions, and gain knowledge from each other. Senior-level HR professionals share their experience and contribute ideas, and the cross-industry audience offers feedback from various perspectives. More than one-third of the chapter membership (more than 300 people), has joined the E-networks program and more than 100 messages on various topics are logged each month.

STILLWATER AREA HUMAN RESOURCE ASSOCIATION – SOUTHWEST CENTRAL REGION

TITLE: HUMAN RESOURCES 101

Understanding the tremendous need for basic HR education among its area's many small businesses, the Stillwater Area Human Resource Association chapter of Stillwater, Oklahoma, designed and developed its Human Resources 101 program. There are frequently just one or two HR professionals juggling a variety of responsibilities at local small businesses. With this in mind, the chapter holds a program featuring HR experts and covering basic HR topics. Past programs have focused on finding talent, risk management, workplace violence, identity theft and preventing workplace discrimination. The programs, which average twice the attendance of chapter meetings, are affordable and educational, encourage networking and help accomplish SHRM's mission to serve HR professionals.

NORTHEAST HUMAN RESOURCES ASSOCIATION - NORTHEAST REGION

TITLE: NEHRA: THE VOICE OF HR

Following nearly a year of planning, the Northeast Human Resources Association (NEHRA) SHRM chapter launched a partnership with BostonWorks.com's HR Center, a new content area of BostonWorks.com, the most popular recruitment tool in the Boston market. NEHRA: The Voice of HR provides bimonthly original content in the form of articles, interactive question and answer installments, e-surveys and other timely features. More than 60 original articles by NEHRA have been published on important HR topics, increasing visibility for NEHRA, positioning the chapter as an expert in HR trends and issues and generating news coverage. New content, created by senior-level chapter experts, is routinely promoted on Boston.com, which averages one million page views per day, providing otherwise unobtainable exposure.

INSIDE SHRM

As an employer of talented people, SHRM strives to create and execute strategies to inspire their best performance on behalf of our members and volunteer leaders. Below are a few of those initiatives.

PERFORMANCE MANAGEMENT

Following a thorough research and benchmarking process, a new performance management system that incorporates SHRM's five core values was implemented in 2006. To supplement the new system, classes in coaching and general management were strengthened to enhance managers' ability to positively impact the performance appraisal process

STRATEGIC PLANNING

SHRM's short-term and long-term planning process was formalized, incorporating planning workshops with each division as well as with several cross-organizational teams to ensure functions were working cooperatively together and with an eye toward eliminating any redundancies across the organization

SUCCESSION PLANNING

A succession planning exercise was completed in November using new research and simplified methods developed by SHRM's HR department. To integrate succession planning more closely with career development, successors were identified to their managers to ensure career development will be discussed during the performance appraisal process.

TRAINING AND DEVELOPMENT

Professional development of employees remains a high priority at SHRM, with all employees expected to participate in at least one professional development opportunity each year. All management staff received training on coaching and counseling employees to optimize performance. Training on the SHRM values initiative rolled out in 2005 was completed for all current employees and is a component of SHRM's on-boarding program for all new employees. In light of SHRM's increased focus on global issues and international outreach, cross-cultural training was given to all employees.

HRIS

SHRM's HR and Accounting departments worked closely to implement a new Human Resource Information System (HRIS) in 2006. The new HRIS was instrumental in creating a smooth, paperless and fully automated Open Enrollment benefits process.

ATTITUDE SURVEY

SHRM conducted our biennial employee attitude survey in 2006, with 98 percent of employees participating. The results, which are very positive overall, were shared with all staff and areas for improvement will be incorporated into organizational planning.

EMPLOYEE WELLNESS

Understanding the significant benefits of healthy employees, SHRM instituted a series of lunchtime seminars for employees called "Take a Break", on a variety of subjects such as financial management and stress management. Other wellness initiatives include a weekly yoga class, a new walking program called "America on the Move," and a health fair featuring flu shots.

COMMUNITY SERVICE

Each year, SHRM employees look forward to participating in several volunteer service opportunities coordinated or sponsored by SHRM. In May, 2006 employees participated once again in the Greater D.C. Cares Annual Servathon, this time at Simon Elementary School in southeast Washington, DC, where they worked indoors and out, painting, planting and otherwise beautifying the school. In June, SHRM sponsored our "Going Beyond HR" team of employees and their families to participate in the Susan G. Komen Race for the Cure to benefit breast cancer awareness and research. Over the winter, SHRM sponsored an employee coat drive that donated more than 100 coats and jackets for the Arlington Street People's Assistance Network, an organization that meets the emergency needs of local homeless people.

STRENGTHENING TALENT FOR THE FUTURE

preparing the organization
for the future by staying
focused on member satisfaction
and being driven to accomplish
our mission



**STILLWATER AREA
HUMAN RESOURCE
ASSOCIATION –
STILLWATER, OK.**

By meeting a need for basic HR education among small businesses in its, this SHRM chapter has strengthened its membership and program attendance. Chapter programs feature experts with timely, pertinent information to help businesses better understand and manage HR challenges.

See page 39.

PICTURED:

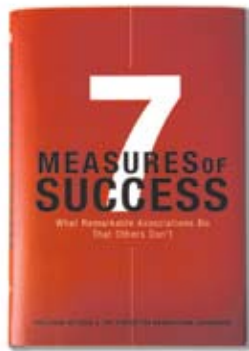
Joey Buck; Alice Fowler;
Coral White; Kay Ensign



STRENGTHENING TALENT

Since SHRM was founded nearly 60 years ago, our size and scope have changed dramatically, but our purpose has never wavered—to represent and serve the HR profession to the best of our ability. The Annual Conference & Exposition has grown from 67 attendees to more than 20,000. Founded by a group of 28 committed individuals, SHRM today serves more than 217,000 members around the world. But size isn't our sole measure of success. Far more important is the satisfaction of our members in our efforts to serve them and advance the profession. In 2006, SHRM stands strong with committed leadership, excellent financial standing, sound operating practices, a wealth of high-quality services and products, and a team of talented volunteer leaders and staff members that will ensure the strength of the organization well into the future.

RECOGNITION



ASAE & The Center for Association Leadership selected SHRM as one of nine “remarkable associations” in its book, *7 Measures of Success: What Remarkable Associations Do That Others Don't*. The book, published in 2006, is based on four years of original research and analysis of 15 years of data to identify the differences that distinguish those organizations that achieve remarkable results year after year. According to ASAE, these seven characteristics, outlined in the book, were nearly always present in the great associations but often absent in the merely good, including a Customer Service Culture, the Alignment of Products and Services with Mission, Data-Driven Strategies, Dialogue and Engagement, the CEO as a Broker of Ideas, Organizational Adaptability, and Alliance Building.

Leadership Excellence magazine ranked SHRM third among all U.S. nonprofits in a 2006 survey of top leadership development programs. The survey polled executives at more than 600 organizations to determine the best leadership development programs.

BRANDING STRATEGY

In 2006, SHRM engaged a branding firm to help us develop a strategy that ensures SHRM remains the go-to resource for HR, strengthens our ability to attract and retain members, demonstrates how we can be a career partner for success, and speaks for the the HR profession with policy makers, business leaders, and the news media.

Our new branding strategy aligns our communication vehicles, refines the way we meet member needs, and maximizes our efforts to increase CEO recognition of the strategic role of HR in organizational success.

We are simplifying the enormous array of our services to help members find the information most important to them by organizing them into five simple sub-brands: SHRM Education, SHRM Research, SHRM Community, SHRM Toolbox, and SHRM Advocacy. In addition, SHRM will segment our offerings and streamline our publications to keep both senior and junior members engaged and enthusiastic about SHRM throughout their careers.

With our new branding we are delivering on the SHRM Brand Promise: “SHRM can help me do my job better, develop professionally, connect with others and set strategy and, at the same time, help the CEO recognize the value of the HR role in improving business performance.”

SHRM will also embrace the name we have used informally for a long time, formalizing the pronunciation of SHRM as “SHERM.” In February of 2007, the SHRM Board of Directors voted to adopt a new SHRM logo, featured on the cover of this report. The new logo incorporates the familiarity and credibility of the former logo, but updates our overall look and meets the goals of the branding strategy. More importantly, it reflects the growth and importance of SHRM, which is a reflection of the growth and importance of the profession.

INTERNATIONAL STRATEGY

With members in 119 countries, SHRM continues to implement our international strategy to raise awareness of global issues by HR professionals and to serve HR professionals outside the United States. Part of the strategy includes outreach and educational programming in China, India, and Canada. SHRM will share HR knowledge and resources and learn about HR and business trends in each country for the benefit of SHRM's U.S.-based membership. In December 2006, SHRM received formal recognition for a representative office in China.

MEMBER SATISFACTION

Modeled on the American Customer Service Index, SHRM's Member Satisfaction Index helps us monitor the ongoing satisfaction of members for our services, products, educational programming and efforts to advance the profession. SHRM evaluates these ratings continually and makes appropriate adjustments to meet the needs of our members. Overall, members rate their satisfaction as very high..

TOWN HALL MEETINGS

Another tool for monitoring satisfaction and improving communication with members, SHRM held five Town Hall meetings across the country with SHRM President and CEO Susan Meisinger. Meetings were held in Dallas, Texas; Birmingham, Alabama; Providence, Rhode Island; Columbus, Ohio; and Long Beach, California. One of the themes from these meetings has been the challenge to our members to attract and manage talent. Hearing directly from our members on the challenges they struggle with most enables SHRM to identify ways we can best serve as their career partner. Five additional town hall meetings will be held in 2007, including in Phoenix, Arizona; Ann Arbor, Michigan; San Francisco, California; Pittsburgh, Pennsylvania; and Washington, D.C.

MEMBERSHIP VALUE

2006 marks the 16th year SHRM has increased and improved our member benefits without an increase in membership dues. No dues increase is planned for 2007.

2006 SHRM FINANCIALS



May 18, 2007

Certification of the Annual Consolidated Financial Statements of the Society for Human Resource Management

We are the senior-most officials of the Society for Human Resource Management (SHRM) with responsibility for the financial controls and reporting of the Society. We have reviewed the annual Consolidated Financial Statements for the years 2006 and 2005 and based on our knowledge:

The financial statements are accurate and complete, and fairly present the financial condition of the Society for Human Resource Management and its subsidiaries including the results of operations and cash flows (separately stated as Consolidated Statements of Financial Position, of Activities and Changes in Net Assets, and of Cash Flows); and

The financial statements do not contain any untrue material statements or facts and are not misleading in their presentation.

To assure the accuracy of our certifications, the Society created and maintains an audit process to examine identified risk areas and internal controls. The Audit Committee of the SHRM Board of Directors reviews and authorizes conduct of audit programs on an annual basis. The head of Internal Audit Services presents audit findings and recommendations to the Audit Committee along with quarterly status reports regarding related actions taken by management. Audit reports are also shared with the outside auditors to assist in the preparation of the Consolidated Financial Statements. Based on our review of the results of this process, we are satisfied that the controls and financial disclosure procedures adequately reflect the financial condition of the Society.

We also certify that material changes in financial operations and financial disclosures, if any, are reviewed by the Audit Committee for approval and that, incidents of fraud, if any, are also reported to and reviewed by the Audit Committee.


Susan R. Meisinger, SPHR
President & Chief Executive Officer


Henry G. Jackson
Chief Financial Officer

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ALEXANDRIA, VIRGINIA 22304-3999 USA
TEL: 546-1040 FAX: 4703-875-0367 TDD: 703-541-6079
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INDEPENDENT AUDITOR'S REPORT

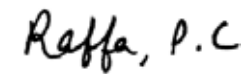
To the Board of Directors of the
Society for Human Resource Management and Subsidiaries

CONSULTING
ACCOUNTING
TECHNOLOGY

Certified Public
Accountants

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial position of the Society for Human Resource Management and Subsidiaries (the Organization) as of December 31, 2006 and 2005, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended; and in our report dated May 18, 2007, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.



RAFFA, P.C.

Washington, DC
May 18, 2007

SOCIETY FOR HUMAN RESOURCE MANAGEMENT AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,	2006	2005
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,056,231	\$ 4,581,018
Short-term investments	1,847,729	1,494,274
Accounts receivable, net of allowance for doubtful accounts of \$245,297 and \$166,496 in 2006 and 2005, respectively	2,522,896	3,069,561
Due from affiliates	260,315	150,347
Income tax receivable	35,798	—
Prepaid expenses and deposits	6,115,015	5,122,435
Inventory	1,601,548	1,504,507
Total Current Assets	21,439,532	15,922,142
Long-term investments	122,386,545	103,804,633
Prepaid pension cost	119,776	636,953
Property and equipment		
Buildings and building improvements	30,196,149	29,791,640
Land	5,883,311	5,883,311
Computer software	7,165,747	6,327,308
Computer equipment	7,015,236	5,555,768
Furniture and equipment	5,521,917	5,241,496
Automobiles	60,374	60,374
Gross property and equipment	55,842,734	52,859,897
Less: Accumulated depreciation and amortization	(20,145,078)	(16,912,723)
Net property and equipment	35,697,656	35,947,174
TOTAL ASSETS	\$ 179,643,509	\$ 156,310,902

SOCIETY FOR HUMAN RESOURCE MANAGEMENT AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

December 31,	2006	2005
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 6,490,806	\$ 8,285,204
Due to affiliate	232,539	—
Income tax payable	—	83,127
Deferred membership dues	18,329,617	16,350,655
Deferred conference and seminar fees	4,848,339	2,827,409
Deferred subscriptions and other	531,903	540,235
Capital leases payable	—	71,291
Note payable, current portion	556,068	519,096
Total Current Liabilities	30,989,272	28,677,017
Accrued benefit cost	3,208,084	2,331,337
Note payable, net of current portion	7,171,398	7,727,466
Total Liabilities	41,368,754	38,735,820
Net Assets		
Unrestricted	138,274,755	117,575,082
TOTAL NET ASSETS	138,274,755	117,575,082
TOTAL LIABILITIES AND NET ASSETS	\$ 179,643,509	\$ 156,310,902

SOCIETY FOR HUMAN RESOURCE MANAGEMENT AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

December 31,	2006	2005
REVENUE AND SUPPORT		
Membership dues	\$ 30,778,350	\$ 29,334,674
Publications, advertising and royalties	25,625,113	22,433,190
Annual conference	16,932,910	15,927,067
Seminars and educational programs	14,691,260	12,999,823
Other conferences	3,997,062	3,903,808
Other	3,488,281	3,679,024
TOTAL REVENUE AND SUPPORT	95,512,976	88,277,586
EXPENSES		
Program Services		
Publications	16,805,543	16,078,283
Seminars and educational programs	12,323,413	12,091,252
Government and public affairs	10,780,767	9,129,003
Annual conference	6,555,612	5,873,054
Other conferences	3,832,486	4,065,827
Total Program Services	50,297,821	47,237,419
Supporting Services		
Management and general	20,680,704	17,404,631
Membership services	14,217,984	12,908,562
Total Supporting Services	34,898,688	30,313,193
TOTAL EXPENSES	85,196,509	77,550,612
Change in net assets from operations	10,316,467	10,726,974
Non-operating Activities		
Investment income	14,256,189	7,247,136
Provision for income tax expense	(3,872,983)	(3,103,800)
CHANGE IN NET ASSETS	20,699,673	14,870,310
NET ASSETS, BEGINNING OF YEAR	117,575,082	102,704,772
NET ASSETS, END OF YEAR	\$ 138,274,755	\$ 117,575,082

SOCIETY FOR HUMAN RESOURCE MANAGEMENT AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31,	2006	2005
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 20,699,673	\$ 14,870,310
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,232,355	3,145,736
Unrealized gain on investments	(4,903,486)	(971,508)
Realized gain on investments	—	(871,645)
Provision for doubtful accounts receivable	(78,801)	58,302
Changes in assets and liabilities:		
Accounts receivable	625,466	(984,685)
Due from affiliates	(109,968)	(13,833)
Income tax receivable	(35,798)	87,745
Prepaid expenses and deposits	(992,580)	(1,655,010)
Inventory	(97,041)	(415,517)
Prepaid pension cost	517,177	633,611
Accounts payable and accrued expenses	(2,686,804)	(98,794)
Due to affiliate	232,539	—
Income tax payable	(83,127)	83,127
Deferred membership dues	1,978,962	(334,752)
Deferred conference and seminar fees	2,020,930	(270,910)
Deferred subscriptions and other	(8,332)	78,858
Accrued benefit cost	1,769,153	1,172,548
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,080,318	14,513,583
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,982,837)	(3,104,640)
Purchases of investments	(15,631,881)	(99,458,038)
Proceeds from the sales of investments	1,600,000	86,615,358
NET CASH USED IN INVESTING ACTIVITIES	(17,014,718)	(15,947,320)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(519,096)	(484,582)
Principal payments on capital lease obligations	(71,291)	(73,185)
NET CASH USED IN FINANCING ACTIVITIES	(590,387)	(557,767)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,475,213	(1,991,504)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,581,018	6,572,522
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,056,231	\$ 4,581,018
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payments for interest	\$ 555,272	\$ 596,655
Actual cash payments for income taxes	\$ 3,992,635	\$ 2,932,200

