The mission of the Southwest Educational Development Laboratory (SEDL) is to solve significant problems facing educational systems and communities to ensure a quality education for all learners.

SEDL is committed to long-term, systematic, research- and experience-based solutions derived from research, development, evaluation, information provision, technical assistance, and professional development.

SEDL’s primary efforts are in five program areas: improving school performance, strengthening teaching and learning in content areas, integrating technology into teaching and learning, involving family and community in student learning, and connecting disability research to practice. Work in these areas concentrates on K–16 education and on underserved students, particularly those living in poverty.

SEDL is a private, nonprofit corporation dedicated to fulfilling its mission with clients and other education stakeholders on a national, regional, state, and local basis through diverse and interrelated funding, partnerships, and projects.

ADOPTED APRIL 2003
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Dear Stakeholders:

As I write this letter, SEDL celebrates its 40th year of work committed to the improvement of education for all learners. Throughout these 4 decades, our research questions have been framed by the knowledge and scope of problems affecting education; our mandates have varied with the focus of funding agencies; and our delivery strategies have been adapted to meet the needs and capabilities of our audiences. Although the context of education—and thus our work—has changed, SEDL’s commitment to student learning has not.

This report recounts our accomplishments of 2005, which reflect our history and experience as they position us to embrace the challenges and opportunities of new scopes of work in 2006. Although our bid for the regional educational laboratory contract was declined in 2006, we won four other major federal competitions in 2005.

In fact, the year 2005 was characterized by high productivity and successful competitive funding. With our strong financial and knowledge bases, we acted on our commitment to the resolution of important education problems in schools and districts by drawing on our equally deep foundations in research, development, and dissemination.

**Successful competitive federal funding.** We increased our core funding through new competitive awards. We won federal competitions to operate the National Center for the Dissemination of Disability Research, the Southeast Comprehensive Center, and the Texas Comprehensive Center.

**Research and evaluation.** We won additional funding to support new research and evaluation studies. We received an award from the 21st Century Community Learning Centers in the U.S. Department of Education to oversee the conduct of randomized controlled trials to determine the effectiveness of various approaches to afterschool education. The evaluators in our Evaluation Services competed successfully for grants and contracts to design and conduct program evaluations for state agencies, associations, and private foundations.

**Development and dissemination of school improvement resources.** We created publications and tools based on research we had conducted or synthesized. Our researchers developed research and policy briefing papers summarizing key issues of our policy studies. We created a comprehensive Web site based on our model for systemic school improvement, and we reached thousands of educators and service providers through our school improvement services.

**Professional development.** We continued to provide our professional development services. We addressed hundreds of service providers, administrators, and teachers in professional development sessions on afterschool education, assessment, effective questioning, leadership, school change, and technology.

With these accomplishments, our staff and dedicated partners met our goals for 2005. We are already tackling the challenges and seizing the opportunities that face us in 2006. I am proud to lead the professionals of SEDL as we continue to improve teaching and learning for students across the nation.

Sincerely,

Wesley A. Hoover, PhD
President and CEO
Dear Fellow Educators:

I began my career as a speech and drama teacher in Dallas, Texas. Since then, I’ve played different roles as an educator—superintendent’s wife, association director, and education advocate. For much of the last 26 years, I’ve also played different roles in my relationship with SEDL. Besides having the privilege of leading the SEDL Board of Directors, I was a board member for the past 6 years. Since the mid 1980s, I have been a member of SEDL’s state advisory committee and an advisor to the initial policy information services project.

When I look back at 2005, two things stand out. First, SEDL has come far in developing a policy-relevant research program. In the past few years, SEDL has focused on answering important questions about factors that affect student achievement. To be able to answer those questions, SEDL has recruited and retained researchers who conduct research that is relevant and carefully designed. As a result, SEDL has maintained its service to policymakers while building a program with knowledgeable researchers. Second, I was proud that SEDL’s capacity for conducting research and providing research-based information to educators and policymakers was recognized with several major new federal funding awards.

Education decision makers want and seek research-based information to help them address policy questions. As the director of an education association, I coordinated meetings and a legislative conference that convened education administrators to examine policy and legislative issues that affected education. SEDL researchers have made numerous presentations at these meetings over the years. They conferred with my colleagues about their research studies on measuring student achievement, teacher pay, and resource allocation, topics that were critical to my state. The researchers described the findings of their studies and talked with my association members about applying the findings to their own work.

SEDL’s commitment to conducting relevant research and providing research-based information was recognized with new federal funding in 2005. SEDL won competitive awards to operate the National Center for the Dissemination of Disability Research to help disability scientists improve the quality of disability research, to conduct randomized controlled trials through the National Partnership for Quality Afterschool Learning to determine effective practices among afterschool programs, and to run two comprehensive centers serving Texas and the southeastern states of Alabama, Georgia, Louisiana, Mississippi, and South Carolina. I’m optimistic that SEDL’s research findings and research-based information resources will contribute to improved schools and schooling across the nation.

Leading the board in 2005 was an honor and a valuable part of my life and career. As an educator, advocate, parent, and grandparent, I believe we all have roles to play in public education. On behalf of the board of directors, I thank the staff, clients, constituents, and supporters of SEDL for the parts they play in the creation of conditions that will result in a quality education for all students.

Sincerely,

Jo Pettigrew
2005 Board Chairman
The Purpose
At SEDL, we believe that improvement of the educational system to meet the needs of all children requires a strong research base that is tightly connected to practice. To make this connection, we partner with educators, administrators, parents, and policymakers to conduct research and development projects that result in strategies and resources to improve teaching and learning. We also help partners and clients bridge the gap between research and practice with professional development, technical assistance, and information services tailored to meet their needs. We have built strong foundations for our work throughout our history, and we continue to expand on these foundations today.
SEDL’s mission—to solve significant problems facing educational systems and communities to ensure a quality education for all learners—remained our focus in 2005. Whether we were helping teachers and students affected by Hurricane Katrina or investigating how schools and districts might work in a more systemic manner, we spent the year supporting our clients and especially the students they serve.

As we carried out our work last year, we drew on our deep foundations to meet current needs and position ourselves to rise to new challenges.

We continued to help states, districts, and schools meet their obligations to the No Child Left Behind Act (NCLB) by developing and providing relevant professional development, intensive assistance, and information resources. We also continued to act on our stance that research and practice must be tightly linked. Throughout the year, we worked with educators, administrators, parents, and policymakers to complete research and development projects that resulted in resources reflecting current research findings and targeted to practitioners.

Serving Students in Need

When Hurricanes Katrina and Rita struck the coastal states in SEDL’s region in August 2005, we quickly realized the severe impact on many of the students in those states. Students were uprooted from their schools and placed in new ones, often in different states with different standards. Suddenly these students faced not only personal challenges but also academic ones. In turn, the schools now serving many of those students were forced to find ways to help student evacuees succeed in an environment in which the curriculum may be as unfamiliar to them as the new classroom and the faces in it.

“Shortly after the hurricanes hit, we consulted with officials from both the Texas Education Agency and the Louisiana State Department of Education to determine how SEDL could best help them respond to the hurricane’s aftermath,” says SEDL president and chief executive officer Wes Hoover. “We pulled together staff from our Austin and Metairie offices to produce a set of teacher materials. We worked building a foundation for supporting education improvement

Over the next 40 years, SEDL continued to operate the REL serving the southwestern region, which over time included the states of Arkansas, Mississippi, New Mexico, and Oklahoma, along with Louisiana and Texas. We have also operated a wide variety of other programs. Throughout our history, we have worked with educators and policymakers to apply or interpret research in ways that lead to better teaching, increased learning, and improved student performance.

Today, SEDL continues to support education reform improvement by helping states, districts, and schools meet the challenges presented by the ESEA and the No Child Left Behind Act of 2001 using a mix of professional development, intensive assistance strategies, and resources. Our projects have changed over time, but our commitment to student success has not.
closely with officials from both states to ensure the fidelity of the materials to both states’ legislations and standards.”

The materials, titled *Tools for Transitions*, focus on academic issues, particularly the instructional implications of key differences between instructional standards in Louisiana and Texas. They include detailed side-by-side comparisons of Louisiana’s Grade Level Expectations (GLEs) and the Texas Educational Knowledge and Skills (TEKS). They also emphasize helping teachers recognize and address the short- and long-term effects of trauma resulting from the hurricanes.

SEDL staff used *Tools for Transitions* in trainings for professional development providers who work with educators teaching Katrina evacuees. The materials are available online at http://www.sedl.org/tft/.

**Promoting Evidence-Based Practices for Learning Outside of School**

As the primary contractor in the National Partnership for Quality Afterschool Learning, SEDL works with its six partners to help afterschool programs support student achievement through the use of high-quality, research-based practices. In 2005 we continued this work through the development of a new online training toolkit designed to help afterschool program directors and instructors develop content-based, enjoyable activities that tap into students’ desire to learn.

*The Afterschool Learning Toolkit: Building Quality Enrichment Activities* provides resources in six key areas: arts, literacy, math, science, technology, and homework help. It includes sample lessons by grade level and tips for practitioners. There are also videos that allow afterschool staff to see promising practices firsthand. The toolkit’s sample activities include learning goals, directions, and potential results.

“Through this online toolkit, we will help providers plan and deliver the academically rich programs required by NCLB.”

Catherine Jordan, the director of the National Partnership for Afterschool Learning and a SEDL program manager.

**“No child fails. Schools may fail to provide a supportive environment, teachers may fail to communicate what they know, materials may fail to help the child learn. But no child fails.”**

Written in 1973, this statement expressed one of the fundamental ideas that has driven SEDL’s work since the organization was created—the belief that in order to affect change, the wealth of education data that universities and research institutions collect needs to be accessible to educators. To help bridge this gap between research and practice, SEDL has sought to create research-based products and resources for educators to use in the classroom. In the 1970s, SEDL developed multimedia curricula for three programs—Bilingual Early Education, Bilingual Early Childhood, and Early Elementary—for both English and Spanish speakers. The writers and designers applied research to reality by testing their programs in actual classrooms and revising them as needed.

**BUILDING A FOUNDATION FOR DEVELOPING RESEARCH-BASED PRODUCTS AND RESOURCES**

Concurrent with major curriculum efforts, SEDL pioneered the development of new tests and measurement instruments for use with culturally diverse populations. In addition, SEDL was an early leader in establishing evaluation procedures and techniques to provide curriculum developers with relevant formative and summative information.

Today, SEDL continues to provide teachers with the knowledge and materials they need to help their students learn. By sharing research and developing materials for educators and policymakers, we provide new learning opportunities for students and teachers throughout the nation.
BUILDING A FOUNDATION FOR CONNECTING SCHOOLS, FAMILIES, AND COMMUNITIES

As more and more mothers entered the workforce and the American family evolved in response, the role of families in their children’s education changed as well. In the late 1970s and early 1980s, SEDL began studying the new complex relationships among schools, families, and communities through three projects: the Parent Involvement in Education Project, the Working Parents Project, and the Ways to Improve Schools and Education Project.

All three projects sought to study and help improve the relationships among schools, families, and communities. The Parent Involvement in Education Project focused on learning what teachers, administrators, and parents thought of parent involvement through a series of surveys, using this information to establish guidelines to train teachers and administrators on working effectively with families. The Working Parents Project studied 60 families to determine the effects of a mother’s employment on a child’s education and outlined ways employers can support employee participation in education. The Ways to Improve Schools and Education Project studied how to create effective school/business/community partnerships by organizing liaison teams to work with partnership projects in six cities. The project then described these partnership projects and produced guidelines for establishing and maintaining successful partnerships.

Today, SEDL continues to build on our early research in order to locate, review, and disseminate valuable research-based resources to educators. By providing these resources, we are helping schools and districts understand how they can establish strong connections with families and communities to support student achievement.

The toolkit’s focus on learning theory- and evidence-based practices makes it unique among afterschool resources. Its examples stem from practices observed through the National Partnership’s visits to more than 30 afterschool programs nationwide. The toolkit is available through the National Partnership’s Web site at http://www.sedl.org/afterschool/.

Applying Research to Help Schools Connect With Families and Communities

In 2005, SEDL’s National Center for Family and Community Connections produced a series of print and online strategy briefs designed to help schools connect with families and communities. The briefs use research-based information and discuss policies, strategies, and programs schools are using to make meaningful connections that make a real difference for students.

Current research suggests that schools can increase family partnerships by reaching out directly to parents in purposeful and culturally appropriate ways. One of the print strategy briefs focuses on engaging families at the secondary level, stressing that a successful school–family–community program incorporates different types of parent, family, and community involvement. Other briefs explore such topics as helping school staff build meaningful relationships with stakeholders, how school leaders can develop a collaborative team approach to support family and community connections with schools, and what teachers can do to involve families in supporting classroom instruction. The three online strategy briefs define “family and community connections with schools,” structures that create effective involvement, and strategies to help children transition from kindergarten to the early grades.

The National Center for Family and Community Connections with Schools also created a multimedia toolkit titled Beyond the Building: A Facilitation Guide for School, Family, and Community Connections. This toolkit was designed to help educators and community organizers understand and learn how to facilitate family and community involvement. It includes ideas for activities and a CD-ROM with SEDL’s best-selling research syntheses, the seven strategy briefs, and the three interactive learning modules. These resources are available at http://www.sedl.org/connections/.
Testing a Model of How Educators Work Systemically

With applied research and intensive site work, SEDL’s regional educational laboratory created and tested a model to help teachers increase student achievement in reading and mathematics. SEDL staff worked in 23 districts and 49 schools across our five-state region to develop and refine a process for coordinating efforts at the district, school, and classroom levels to increase and sustain student achievement results. Through this research, we found that a focus on alignment combined with a systemic approach to improvement is associated with gains in student achievement. In 2005, this work culminated in the creation of the Working Systemically model and toolkit.

The Working Systemically model guides facilitators working with district and school leaders as they accomplish four goals: (1) aligning curriculum, instruction, and assessment with state standards; (2) developing an in-depth and long-term solution to increasing student achievement; (3) staying focused on improvement plans and activities small enough to be manageable but large enough to make a difference in student achievement; and (4) mobilizing leadership at all levels of the system to focus resources of time, personnel, and energy on the alignment process. Using this model, a facilitator guides and focuses leaders at district and school levels of an education system in identifying and improving key components and competencies that are linked to increasing student achievement.

“This five-stage model helps leaders develop a deeper understanding of the challenges their system faces and provides a framework for increasing student achievement in their education system,” says William Sommers, SEDL program manager.

The Working Systemically toolkit includes an overview, a facilitator’s guide, and a series of modules describing the implementation of the professional teaching and learning cycle (PTLC), which is the method that facilitators use to ensure that the improvement effort has a meaningful impact at the classroom level. The materials are available at http://www.sedl.org/ws/.

Reflecting a nationwide interest in encouraging schools to adopt comprehensive reform strategies as means of school improvement, SEDL established its Facilitating Implementation of Reform Strategies and Tactics (FIRST) project in 1996. Under this project, which lasted 4 years, SEDL staff studied one low-performing school in each of the five states in SEDL’s region to understand how schools engage in comprehensive school reform.

SEDL staff engaged the school administrators, teachers, and other staff members in these schools in an in-depth study of the teaching and learning process over a 2-year period. Emphasis was placed on the examination of all aspects of the school—curriculum, instruction, assessment, classroom management, professional development, family and community involvement, and school management—to identify how these parts can work together to improve student achievement. Major components of SEDL’s work involved examining student performance data, building staff consensus on the work’s focus, researching alternatives to address problems in the school, and building shared leadership to carry out one or more of the alternatives.

SEDL staff identified five factors that influenced school progress: (1) the focus of the improvement effort; (2) organizational structures; (3) personal and social dynamics; (4) contextual influences; and (5) leadership. SEDL staff also learned that school improvement depended on identifying each school’s unique needs and addressing the system as a whole rather than looking for a “quick fix.”

Today, SEDL continues to assist districts and schools in adopting a more systemic approach to improvement. Rather than present another quick fix, our model describes a comprehensive process for sustainable school improvement that results in increased student learning.
Improving Teaching in Reading and Language Arts

Throughout our history, SEDL has sought to improve instruction in core content areas, especially in reading, science, and mathematics. We continued this work in 2005 through our involvement with the U.S. Department of Education’s Reading First program. Reading First is an ambitious national initiative to help every young child in every state become a successful reader. This effort is based on high expectations for what can and should happen for all students—that instructional decisions will be guided by the best available research.

Reading First provides assistance to state and local education agencies in applying scientifically based reading research—and the proven instructional and assessment tools consistent with this research—to improve reading instruction for K–3 students and to ensure that all children learn to read well by the end of third grade. SEDL supports Reading First by maintaining the Reading First Awards Database and producing the Reading First Notebook.

The Reading First Awards Database contains a listing for each award given. Each state’s information is maintained by a state Reading First coordinator. Records are summarized by state, locale, and Title I status. As of April 2006, the Reading First database indicates awards to 1,562 districts representing 5,232 schools.

SEDL staff members write and produce the Reading First Notebook, the program’s quarterly newsletter. Each issue contains a snapshot view of research and practice related to the teaching of reading. In 2005, the newsletter focused on special issues in kindergarten, instructional leadership, and professional development. It is available at http://www.readingfirstsupport.us/.

Expanding Our Work and Our Reach

In the fall of 2005, SEDL won competitions for new research and dissemination projects. We will head two regional comprehensive centers funded by the U.S. Department of Education. The Texas Comprehensive Center (TXCC) serves the state of Texas, and the Southeast Comprehensive Center (SECC) serves the states of Alabama, Georgia, Louisiana, Mississippi, and South Carolina. The combined awards total more than $40 million.

The goals of the centers are to build states’ capacities to implement the programs and goals of NCLB and to build states’ capacities to provide sustained support of high-needs
districts and schools. The TXCC provides technical assistance and support to the Texas Education Agency to help ensure Texas has an education system with the capacity to eliminate achievement gaps and enable all students to achieve at high levels. The SECC works closely with each state in its region to give them information, models, and materials so they can fulfill their obligations to implement NCLB.

SEDL also received continued funding for the National Center for the Dissemination of Disability Research (NCDDR). SEDL has operated the NCDDR for the past 10 years. The 5-year grant, which totals $3.75 million, is part of a National Institute on Disability and Rehabilitation Research (NIDRR) program that encourages the dissemination and use of NIDRR-sponsored research.

“Put simply, we want to help make certain that consumers have access to evidence-based findings,” says John Westbrook, SEDL program manager. “The grant provides an incredible opportunity to strengthen the quality and dissemination of disability research while improving consumer access to evidence-based information.”

The NCDDR will collaborate with two international organizations—the Campbell Collaboration and the Cochrane Collaboration—to establish a registry of evidence-based systematic reviews that address topics important to persons with disabilities, their families, and their service providers. The three organizations will also collaborate to provide training and technical assistance to researchers.

As we enter our 40th year, SEDL looks to expand our reach and grow our work by pursuing new opportunities and forging new partnerships. We are continuing to offer our professional development and fee-for-service arrangements as well as evaluation services. We also look forward to adding to the knowledge base by conducting new research studies. Improving teaching and learning has been fundamental to our work for 40 years and continues to support and shape our plans for the future.

In the 1970s, many schools faced the challenge of helping bilingual students learn English and become proficient readers at the same time. To help determine the most effective way to help these children, SEDL commissioned a 6-year study in which researchers tracked more than 300 bilingual students, from kindergarten through either the third or fourth grade, in six school districts. The students were taught by 200-plus teachers in more than 20 schools.

At each site, researchers assessed the students’ language skills as they entered school and progressed through the grades. Carefully documenting the nature of the instruction, researchers observed classroom activities and monitored student achievement using a variety of language and reading measures.

The study found three predictors of a student’s reading success: (1) the student’s language skills; (2) the student’s performance the previous school year; and (3) the quantity and quality of instruction the student received. Researchers also learned that teachers did not always accurately assess students’ language abilities, a problem that often led to students receiving instruction that was not appropriate for their abilities. SEDL researchers designed instruments to help evaluate bilingual programs at the school and class levels. They also stressed the importance of providing adequate teacher inservices to ensure successful implementation of bilingual programs.

BUILDING A FOUNDATION FOR CONDUCTING EDUCATION RESEARCH

Today, SEDL’s experimental research agenda includes designs for early reading studies. We expect that our research will help educators identify and implement the most effective instructional techniques to ensure student success.
The People
We would be nothing without our people. The SEDL Board of Directors comprises educators, administrators, and policymakers from throughout our region who volunteer their time to share our message and guide us in our decision making. The SEDL Management Council oversees our operations and ensures the quality of our work. And, of course, our staff, many of whom are researchers, former teachers, and former administrators, work tirelessly to conduct research, lead seminars, and create products. Together, we are a strong team devoted to carrying out our mission as efficiently as possible.
Jo Arnold Pettigrew, Chairman
Jo Arnold Pettigrew, MA, EdD, is the executive director of the United Suburban Schools Association (USSA). Before joining USSA, she spent nearly 13 years as the assistant executive director of the Oklahoma State School Boards Association.

Nancy Eddy, Vice Chairman
Nancy Eddy, MEd, JD, is a K–6 counselor at Clinton Elementary School in Little Rock, where she has served since 1984. She also has served as chair of the Pulaski Federation of Teachers, as president of the Central Arkansas Labor Council, and as a volunteer with the United Way.

Mary Abeita, Secretary
Mary Abeita is a Native American studies resource teacher with the Indian Education Unit at Van Buren Middle School in Albuquerque. Before teaching at Van Buren, she drove a Title I “technology bus” for the Gallup–McKinley County area schools, where she taught reading lessons and provided computer services to students.

Brenda Garibaldi Hatfield, Treasurer
Brenda Garibaldi Hatfield, MLS, PhD, is the chief administrative officer for the City of New Orleans. She worked for 18 years in the New Orleans Public School System, where she served as director of instructional media, technology, and communications, among other positions.

Rosa María Vida, Immediate Past Chairman
Rosa Maria Vida, MS, PhD, is the superintendent of Catholic Schools for the Laredo Diocese. She has served as dean of the College of Education and an education professor at Texas A&M International University in Laredo and has held positions at Laredo State University, as well as the Laredo and Austin independent school districts.
2005 Board of Directors

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Director of Research

John Westbrook  
Program Manager
Corporate Offices Add Support Behind the Scenes

During 2005, the program and administrative staff in SEDL’s projects completed research studies, wrote reports, developed grant proposals, and created our high-quality products and services. Working with them behind the scenes were the professionals who work in the corporate offices—Evaluation Services, the Office of Fiscal and Technical Services, the Office of Institutional Communications, and the Office of Institutional Development.

Serving SEDL staff members as internal clients, these accountants, editors, evaluators, proposal writers, and network specialists carried out their specialized tasks. The Office of Fiscal and Technical Services oversaw SEDL’s accounting, facilities management, and human resources. The Office of Institutional Communications provided strategic communications, editorial, information, and Web services to SEDL staff. The Office of Institutional Development pursued new work and funding opportunities for the organization. Evaluation Services conducted internal program evaluations and competed for sponsored funding to serve external clients.

Last year was a critical year for SEDL staff. Together, program and corporate staff successfully competed for new funding. As SEDL continues its work in the improvement of education for all students, the corporate offices will continue to add value by helping create working conditions that allow program staff to do what they do best.

SEDL Honored With Marketing and Communication Awards

SEDL won several awards in the 2005 MarCom Creative Awards competition. The international competition drew more than 4,500 entries in numerous categories.

The June 2005 issue of SEDL Letter, “Reaching Our Reading Goals,” won a platinum award, which is given to entries recognized for their excellence in quality, creativity, and resourcefulness. SEDL’s Web site won a gold award, which is presented to entries judged to exceed the high standards of the marketing and communications industry. SEDL’s 2004 Annual Report won an honorable mention.

“The awards reflect a great team effort on all three products,” says Joyce Pollard, director of SEDL’s Office of Institutional Communications. “Not only are communication staff members involved in producing the magazine, Web site, and annual report, but many SEDL staff members contribute content and ideas that make these products exceptional.”

McVey, Dodson Win Presidential Awards

Communications associate Tom McVey and program associate Melissa Dodson received the Edwin Hindsman Award and the Rogers L. Barton Award, respectively, during the 2005 SEDL Holiday Gathering. CEO Wes Hoover honored McVey and Dodson for their outstanding contributions over the course of the last year.

Tom joined SEDL in May 2004 as a communications specialist with the REL and currently works for the comprehensive centers. His talents were quickly recognized, and he was rewarded with a promotion to communications associate. He holds a BS in speech communication from Kansas State University and an MPAff from the LBJ School of Public Affairs at the University of Texas at Austin.

“SEDL has been the best professional experience that I have had to date. I thoroughly enjoy the opportunity I have here to work with so many skilled and passionate people who are dedicated to improving education and the lives of students,” says McVey. “I am glad that I have the opportunity to be a part of this organization and am looking forward to the challenges ahead.”

Melissa came to SEDL in May 2003. She currently works with Evaluation Services, where she evaluates both internal and external projects for SEDL. Melissa also received a promotion this year in recognition of her hard work. She holds a PhD in educational psychology from the University of Texas at Austin.

“I’ve had the great fortune to work collaboratively with so many of my SEDL coworkers and have learned so much from these experiences,” Dodson says. “I had a long list of colleagues that are, in my mind, more deserving of the award, but I am very grateful to have my work recognized.”
SEDL’s relationships with state departments of education, universities, service agencies, and other organizations allow us to better serve our clients. In the end, these mutually beneficial relationships help improve education for students across the country.

**Partners**

ABLEDATA, Macro International, Inc.
Academic Information Management, Inc.
After-School Corporation
Alabama Department of Education
American Indian Research and Development, Inc.
Angelo State University
Arkansas Department of Education
Arkansas Department of Higher Education
Arkansas State University, Jonesboro
Arkansas Tech University
Audubon Aquarium of the Americas
Audubon Louisiana Nature Center
Audubon Zoo
Boston University/Sargent College
Cameron University
Center for Assistive Technology and Environmental Access, Georgia Institute of Technology
Center for Strategic Capacity Building on Minorities with Disabilities, University of Illinois at Chicago
Center for the Education and Study of Diverse Populations
Center on School, Family, and Community Partnerships, Johns Hopkins University
Challenger Learning Center, Baton Rouge
Charles A. Dana Center at the University of Texas at Austin
Coalition for the Advancement of Science and Mathematics Education in Oklahoma
College of Santa Fe
Compact Six
Cox Communications
Delta State University
East Central University
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ESCORT
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Jackson State University
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Learning Point Associates
Longue Vue House and Gardens
Louisiana Center for Educational Technology
Louisiana Children’s Museum
Louisiana Department of Education
Louisiana Division of the Arts
Louisiana Systemic Initiatives Program
Mid-continent Research for Education and Learning, Inc.
Mississippi Department of Education
Mississippi State University
Mississippi Valley State University
Morgan County Board of Education (Alabama)
Mount Sinai School of Medicine
National Alliance of State Science and Mathematics Coalitions
National Center for Community Education
National Center for Research on Evaluation, Standards, and Student Testing, University of California, Los Angeles
National Institute on Disability and Rehabilitation Research
National Rehabilitation Information Center
National Science Foundation
National Staff Development Council
Navajo Nation Rural Systemic Initiative
New Era Math and Science Resource Center
(Oklahoma City Public Schools)
New Mexico Public Education Department
New Mexico Highlands University
New Mexico State University
New Orleans Museum of Art
North Alabama Teacher Exchange
Northeast Arkansas Delta Institute for Math & Science
(Arkansas State University)
Northeast Arkansas Rural Institute for Math & Science
(Arkansas State University)
Northeastern Oklahoma A&M College
Northeastern State University
Northwest Regional Education Cooperative
Northwest Regional Educational Laboratory
Northwestern Oklahoma State University
Oklahoma Commission of Teacher Preparation
Oklahoma State Department of Education
Oklahoma State University
Our Lady of the Lake University
Ozarks Unlimited Resources Co-operative in Arkansas
Prairie View A&M University
Region I Education Service Center, Belle Chasse, Louisiana
Region II Education Service Center, Hammond, Louisiana
Region III Education Service Center, Thibodaux, Louisiana
Region IV Education Service Center, Lafayette, Louisiana
Region V Education Service Center, Lake Charles, Louisiana
Region VI Education Service Center, Natchitoches, Louisiana
Region VII Education Service Center, Shreveport, Louisiana
Region VIII Education Service Center, West Monroe, Louisiana
Region 12 Education Service Center, Waco, Texas
Rehabilitation Engineering Research Centers
Rehabilitation Research and Training Centers
Resources for Learning
SERVE, University of North Carolina at Greensboro
South Carolina Department of Education
Southeastern Equity Center
Southeastern Oklahoma State University
Southern Arkansas University
Southern University
Southwestern Oklahoma State University
St. Edward’s University
Tarleton State University
Texas A&M University at College Station
Texas A&M University at Commerce
Texas A&M University at Corpus Christi
Texas A&M University at Kingsville
Texas Center for Educational Technology, University of North Texas
Texas Christian University
Texas Computer Educators Association
Texas Education Agency
Texas Instruments
The Aurora Project
The Institute for Rehabilitation and Research, Houston, Texas
The National Center for Early Development and Learning at the Frank Porter Graham Child Development Center, University of North Carolina at Chapel Hill
The Public Education Network
Through the Looking Glass
University of Alabama at Birmingham
University of Arkansas
University of Arkansas at Little Rock
University of Arkansas at Monticello
University of Arkansas at Pine Bluff
University of Buffalo, State University of New York
University of Central Arkansas
University of Colorado Health Sciences Center
University of Louisiana at Lafayette
University of Louisiana at Monroe
University of Mississippi Regional Service Center
University of New Orleans
University of North Texas
University of Southern California
University of Southern Mississippi
University of Texas at Austin
University of Texas at Brownsville
University of Texas–Pan American
University of Washington
U.S. Department of Education
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West Georgia Regional Educational Service Agency
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WGBH Educational Foundation
Wright State University School of Medicine

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REPRINT OF INDEPENDENT AUDITORS’ REPORT

The Board of Directors
Southwest Educational Development Corporation:

We have audited the accompanying statement of financial position of Southwest Educational Development Corporation (Corporation) as of November 30, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements of the Corporation as of November 30, 2004, were audited by other auditors, whose report thereon dated January 21, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Corporation’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Educational Development Corporation as of November 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2006, on our consideration of the Corporation’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Sprouse & Anderson, LLP
January 20, 2006 | Austin, Texas
### STATEMENTS OF FINANCIAL POSITION

#### [November 30, 2005 and 2004]

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,031,705</td>
<td>1,682,438</td>
</tr>
<tr>
<td>Building fund investments (<em>note 2</em>)</td>
<td>3,510,272</td>
<td>3,361,726</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>4,153</td>
<td>2,785</td>
</tr>
<tr>
<td>Contract billings receivable</td>
<td>1,388,717</td>
<td>1,981,925</td>
</tr>
<tr>
<td>Costs in excess of billings</td>
<td>249,194</td>
<td>519,768</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>211,256</td>
<td>166,081</td>
</tr>
<tr>
<td>Property, plant, and equipment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquired with unrestricted resources:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment and improvements, less accumulated depreciation of $1,051,740 in 2005 and $1,066,631 in 2004</td>
<td>100,952</td>
<td>263,669</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$7,496,249</strong></td>
<td><strong>7,978,392</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$94,941</td>
<td>417,843</td>
</tr>
<tr>
<td>Accrued vacation</td>
<td>517,007</td>
<td>434,593</td>
</tr>
<tr>
<td>Contract advances</td>
<td>164,176</td>
<td>1,100,000</td>
</tr>
<tr>
<td>Due to other governments</td>
<td>249,476</td>
<td>38,169</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>73,523</td>
<td>67,112</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>1,099,123</strong></td>
<td><strong>2,057,717</strong></td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated for building fund (<em>note 2</em>)</td>
<td>4,041,695</td>
<td>3,815,450</td>
</tr>
<tr>
<td>Undesignated</td>
<td>2,355,431</td>
<td>2,105,225</td>
</tr>
<tr>
<td><strong>Total unrestricted net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commitments and contingencies (<em>notes 4 and 5</em>)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$7,496,249</strong></td>
<td><strong>7,978,392</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
## Statement of Activities
### Year Ended November 30, 2005

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues, Gains, and Other Support:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development contracts earned</td>
<td>$278,867</td>
<td>15,234,379</td>
</tr>
<tr>
<td>Lease income (note 3)</td>
<td>20,252</td>
<td>—</td>
</tr>
<tr>
<td>Investment income (note 2)</td>
<td>136,003</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>1,154,911</td>
<td>—</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>15,234,379</td>
<td>(15,234,379)</td>
</tr>
<tr>
<td><strong>Total revenues, gains, and other support</strong></td>
<td>16,824,412</td>
<td>—</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development programs</td>
<td>13,663,225</td>
<td>—</td>
</tr>
<tr>
<td>General and administrative</td>
<td>2,684,736</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>16,347,961</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net increase in net assets</strong></td>
<td>476,451</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net assets at beginning of year</strong></td>
<td>5,920,675</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$6,397,126</td>
<td>—</td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements.*

## Statement of Activities
### Year Ended November 30, 2004

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues, Gains, and Other Support:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development contracts earned</td>
<td>$23,739</td>
<td>14,756,140</td>
</tr>
<tr>
<td>Lease income (note 3)</td>
<td>149,552</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>1,008,557</td>
<td>25,577</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>14,781,717</td>
<td>(14,781,717)</td>
</tr>
<tr>
<td><strong>Total revenues, gains, and other support</strong></td>
<td>15,963,565</td>
<td>—</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development programs</td>
<td>12,784,272</td>
<td>—</td>
</tr>
<tr>
<td>General and administrative</td>
<td>2,648,528</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>15,432,800</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net increase in net assets</strong></td>
<td>530,765</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net assets at beginning of year</strong></td>
<td>5,389,910</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$5,920,675</td>
<td>—</td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements.*
## Statements of Cash Flows

**Years Ended November 30, 2005 and 2004**

### Cash Flows from Operating Activities:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase in net assets</td>
<td>$476,455</td>
<td>530,765</td>
</tr>
<tr>
<td>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>169,422</td>
<td>171,554</td>
</tr>
<tr>
<td>Unrealized and realized gains on investments, net</td>
<td>(6,892)</td>
<td>(49,595)</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in accounts and contract billing receivables</td>
<td>591,840</td>
<td>(497,327)</td>
</tr>
<tr>
<td>Decrease in costs in excess of billings</td>
<td>270,570</td>
<td>12,966</td>
</tr>
<tr>
<td>Decrease (increase) in prepaid expenses</td>
<td>45,175</td>
<td>53,465</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>322,902</td>
<td>289,602</td>
</tr>
<tr>
<td>Increase in accrued vacation</td>
<td>82,414</td>
<td>38,387</td>
</tr>
<tr>
<td>Decrease in contract advances</td>
<td>(935,824)</td>
<td>(11,758)</td>
</tr>
<tr>
<td>Increase (decrease) in due to other governments</td>
<td>211,307</td>
<td>2,587</td>
</tr>
<tr>
<td>Increase (decrease) in other liabilities</td>
<td>6,411</td>
<td>(912)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$497,626</td>
<td>534,560</td>
</tr>
</tbody>
</table>

### Cash Flows from Investing Activities:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of equipment</td>
<td>(6,705)</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of building fund investments</td>
<td>(676,338)</td>
<td>(1,078,416)</td>
</tr>
<tr>
<td>Proceeds from the sale of building fund investments</td>
<td>534,684</td>
<td>931,309</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(148,359)</td>
<td>(147,107)</td>
</tr>
<tr>
<td>Net increase in investing activities</td>
<td>349,267</td>
<td>387,453</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>1,682,438</td>
<td>1,294,985</td>
</tr>
</tbody>
</table>

**Cash and cash equivalents at end of year**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,031,705</td>
<td>1,682,438</td>
</tr>
</tbody>
</table>

### Noncash Investing Activity

The Corporation disposed of $184,313 fully depreciated equipment in 2005.

See accompanying notes to financial statements.

## Notes to Financial Statements

### (1) Organization and Significant Accounting Policies

#### Organization

Southwest Educational Development Corporation (the Corporation), a Texas nonprofit corporation without capital stock, operates as Southwest Educational Development Laboratory. The Corporation's primary emphasis is to challenge, support, and enrich education systems in the southwestern United States in order to provide quality education for all learners.

Its mission is to find, share, and sustain solutions for urgent problems facing educational systems, practitioners, and decision makers in the southwestern United States. In particular, the grants and contracts awarded to the Corporation are used to fund educational research and development projects that focus on ensuring educational equity for children and youth. The Corporation's primary operating area includes Texas, New Mexico, Oklahoma, Arkansas, and Louisiana. Grants and contracts from the U.S. Department of Education comprised approximately 86% and 87% of the Corporation’s revenue in 2005 and 2004, respectively.
Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting applicable
to not-for-profit organizations in accordance with
accounting principles generally accepted in the United
States of America.

A significant portion of the Corporation’s operations
are funded by contracts, grants, and cooperative
agreements with the federal government, the Texas
Education Agency, and nonprofit organizations.
Because such revenue sources must be expended in
accordance with contract terms for specific purposes,
the accounts of the Corporation are maintained on a
system of fund accounting. For reporting purposes, the
Corporation’s net assets, revenues, expenses, gains, and
losses are classified based on the existence or absence
of donor-imposed restrictions as follows:

Unrestricted net assets - net assets that are not subject
to donor-imposed stipulations. Unrestricted net assets
may be designated for specific purposes by action of
the Board of Directors. A portion of the unrestricted net
assets has been designated by the Corporation’s Board
of Directors as a building fund to accumulate resources
for the acquisition or construction of an office building
(note 2).

Temporarily restricted net assets - net assets that are
subject to donor-imposed stipulations that require
the passage of time or the occurrence of a specific
event. When the donor restriction expires, temporarily
restricted net assets are reclassified to unrestricted net
assets and reported in the statements of activities as
net assets released from restrictions.

Permanently restricted net assets - net assets required
to be maintained in perpetuity due to donor-imposed
stipulations. The Corporation has no permanently
restricted net assets as of November 30, 2005 or 2004.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money
market mutual funds, certificates of deposit, and all
investments with an initial maturity of 3 months or less.
Cash equivalents include interest-bearing deposits of
approximately $1,862,000 and $1,575,000 in 2005 and
2004, respectively.

(c) Accounts and Contract Billings Receivable

The Corporation has receivables arising from various
contracts that it believes are 100% collectable at year
end. Grants and contracts receivable from the U.S.
Department of Education comprised approximately
82% and 86% of the receivable balance at 2005 and
2004, respectively.

(d) Investments

Investments in marketable securities with readily
determinable fair values and all investments in
debt securities are reported at their fair values in the
statements of financial position. Unrealized gains and
losses are included in the statements of activities.

(e) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost.
Depreciation is calculated using the straight-line
method over the estimated useful lives of the assets.
The estimated useful lives of the assets include
3–6 years for furniture and equipment. Computer
equipment with costs over $5,000 and all other
property, plant, and equipment with costs over
$4,000 are capitalized.

(f) Contracts Earned

Research and development contracts earned revenue
is private, state, and federal grant revenues that is
recognized as revenue when eligible expenditures are
incurred. Contract billings receivables are amounts
earned and due from the respective grant sponsor.
Costs in excess of billings are amounts earned but not
yet billed to the respective sponsor.

(g) Federal Income Taxes

The Corporation is exempt from federal income tax
under Section 501(c)(3) of the Internal Revenue Code,
except to the extent it has unrelated business income.
The Corporation had no material unrelated business
taxable income during 2005 or 2004.

(h) Use of Estimates

Preparation of financial statements in conformity with
accounting principles generally accepted in the United
States of America requires management to make
estimates and assumptions that affect the reported
amounts of assets and liabilities and disclosure of
contingent assets and liabilities at the date of the
financial statements and the reported amounts of
revenues and expenses during the reporting period.
Actual results could differ from those estimates.
(i) Function Allocation of Expenses
The costs of providing the research and development program and the supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) Post-Retirement Benefits
The Corporation sponsors an employee post-retirement health care plan and provides for the estimated costs of employees’ health care after retirement. The Corporation’s obligations under this plan are incurred over the estimated service periods of the employees. The Corporation’s accruals for post-retirement benefit costs at November 30, 2005 and 2004, were $69,000 and $67,000, respectively, which is included in other liabilities in the accompanying statements of financial position.

(k) Vacation Policy
Corporation employees earn vacation leave, which may either be taken or accumulated until paid upon termination or retirement. Unused vacation leave may be accumulated up to 160 hours for staff members with less than 5 years’ service and 240 hours for staff members with more than 5 years’ service.

(2) Net Assets Designated for the Building Fund
The Corporation has a building fund to accumulate resources for the acquisition or construction of an office building. Beginning in 1992, the Board of Directors designated the earnings on the fund and half of the fixed fees earned by the Corporation on its Regional Educational Laboratory (REL) contracts for the building fund. From April 1, 1994, through November 30, 1995, the Board of Directors suspended this policy and then reinstated the policy December 1, 1995. The building fund consists of an investment fund that is invested in fixed income securities, equity securities, and money market mutual funds. On October 19, 2005, the Corporation made a $50,000 deposit for land purchase, which is included in prepaid expenses and other assets in the statements of financial position. The money market mutual funds and certificate of deposit are included in cash and cash equivalents in the statements of financial position. Net assets designated for the building fund at November 30, 2005 and 2004, are summarized as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$3,856,867</td>
<td>$4,041,695</td>
</tr>
<tr>
<td>2004</td>
<td>$3,600,823</td>
<td>$3,815,150</td>
</tr>
</tbody>
</table>

**INVESTMENTS:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$1,170,484</td>
<td>$1,359,126</td>
</tr>
<tr>
<td>2004</td>
<td>$1,194,347</td>
<td>$1,347,254</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$150,723</td>
<td>$153,426</td>
</tr>
<tr>
<td>2004</td>
<td>$250,639</td>
<td>$261,582</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$1,004,237</td>
<td>$1,026,281</td>
</tr>
<tr>
<td>2004</td>
<td>$702,413</td>
<td>$769,507</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$1,000,000</td>
<td>$971,439</td>
</tr>
<tr>
<td>2004</td>
<td>$1,000,000</td>
<td>$983,383</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$3,325,444</td>
<td>$3,510,272</td>
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<tr>
<td>2004</td>
<td>$3,147,399</td>
<td>$3,361,726</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$531,423</td>
<td>$531,423</td>
</tr>
<tr>
<td>2004</td>
<td>$453,424</td>
<td>$453,424</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$3,856,867</td>
<td>$4,041,695</td>
</tr>
<tr>
<td>2004</td>
<td>$3,600,823</td>
<td>$3,815,150</td>
</tr>
</tbody>
</table>
Investment income for the years ended November 30, 2005 and 2004, is composed of the following:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend income</td>
<td>$129,111</td>
<td>99,957</td>
</tr>
<tr>
<td>Unrealized and realized gains on investments</td>
<td>$6,892</td>
<td>49,595</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$136,003</strong></td>
<td><strong>$149,552</strong></td>
</tr>
</tbody>
</table>

(3) Lease Income
The Corporation is the lessor of temporary excess office space. The lease agreements range from 1 to 2 years with optional renewal clauses.

Gross lease payments due under noncancelable lease agreements for 2006, unadjusted for possible future escalation and renewals, are $7,602.

(4) Retirement Plan
The Corporation provides a defined contribution retirement plan, organized under Section 403(b) of the Internal Revenue Code, for all of its regular employees by a payment of 14% of each employee’s base salary as a contribution. All regular employees of the Corporation are eligible for participation in this plan. Eligible employees can begin participation on the effective date of their employment. Participants are immediately and fully vested in the plan contributions. Benefits are provided through fixed-dollar and variable annuities offered by the Teachers Insurance and Annuity Association and the College Retirement Equities Fund. Contributions, which were allocated to the various contracts of the Corporation, totaled $891,204 and $847,218 in 2005 and 2004, respectively.

(5) Commitments and Contingencies
The Corporation had various operating leases for office equipment that expired within fiscal year 2005. These leases were subject to cancellation based upon the availability of federal funding. Rental expense for these operating leases was approximately $44,000 and $55,000 in 2005 and 2004, respectively.

In addition, the Corporation had an operating lease for office space from July 2002 to July 2006. Under the lease terms, the Corporation is to pay $95,793 a month with a 2% increase annually beginning August 2003. Also under the terms of the lease, if the Corporation loses its federal grant/contract funding, it is only obligated to pay one-half of the full rent expense through July 30, 2006, as a cancellation penalty after a 90-day notice regarding the remaining lease period and the Corporation would still be responsible for the amount of rent applicable to the reduced square footage that is not subject to the cancellation penalty. Total office rental expense was approximately $1,248,000 and $1,176,000 in 2005 and 2004, respectively.

The Corporation performs services under various federal contractual and grant agreements that are subject to compliance audits. The amount, if any, of expenditures that may be disallowed by the granting agency cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

In November 2000, the Corporation’s Board of Directors established a severance pay policy. The severance policy is 1 week’s pay for each year of service up to a maximum of 13 years of service. There was no liability required to be recorded as of November 30, 2005 or 2004, for the severance policy.

The Corporation entered into an agreement for the purchase of land in Austin, Texas, in October 2005. The purchase of the land will be paid for out of the assets of the building fund. The Corporation paid $50,000 in earnest money, which is recorded as an asset in prepaid expenses and other assets at November 30, 2005. The Corporation has the right to inspect the property to determine whether it is suitable for its needs. The inspection period expires on February 16, 2006. During the inspection period, the Corporation has the sole discretion to terminate the agreement and receive a full refund of the earnest money paid.
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Photos used in this annual report are courtesy of Jupiterimages and the SEDL archives. We also appreciate the cooperation of SEDL staff members in helping compile the content for this report.

The SEDL Management Council and staff appreciate the support and time of the officers and members of the 2005 Board of Directors in guiding our research, development, and dissemination agendas. We give special thanks to the 2005 Executive Committee members for their advice and counsel: Jo Pettigrew, chairman; Nancy Eddy, vice chairman; Mary Abeita, secretary; Brenda Hatfield, treasurer; and Rosa María Vida, immediate past chairman.

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