



Operating Statement of Financial Position

As of March 31, 2009
(Unaudited)

Assets

Cash and Cash Equivalents		\$	3,481,465
Merchandise Inventory			28,703
Pledges and Accounts Receivable	1,680,749		
Less: Discounts and Allowances for Uncollectible	<u>(72,000)</u>		1,608,749
Prepaid Expenses			<u>93,096</u>
<i>Total Current Assets</i>			<u>5,212,013</u>
Investments			19,656,807
Construction in Progress			604,925
Fixed Assets	8,358,173		
Less: Accumulated Depreciation and Amortization	<u>(4,263,536)</u>		4,094,637
Other Assets			<u>15,500</u>
<i>Total Assets</i>			<u>\$ 29,583,882</u>

Liabilities:

Accounts and Other Payables		\$	89,478
Deferred Income and Unearned Life Memberships			<u>230,820</u>
<i>Total Current Liabilities</i>			<u>320,298</u>
Due to Temporarily and Permanently Restricted			24,079,957
Other Liabilities			<u>15,500</u>
<i>Total Liabilities</i>			<u>24,415,755</u>

Net Assets:

Unrestricted Net Assets			<u>5,168,127</u>
<i>Total Liabilities and Net Assets</i>			<u>\$ 29,583,882</u>



Operating Statement of Activities
For the Nine Month Period Ended March 31, 2009

Revenues	
Donations and Contributions	\$ 1,735,356
Membership Dues	717,674
Merchandising	212,210
Member Services	9,092
Advertising and Sponsorships	45,630
Reunion Services	152,755
Administration Fees	101,742
Conferences	189,652
Royalties	128,128
Football Tickets and Tailgates	27,319
Activities and Social Events	91,065
Miscellaneous Income	9,302
Transfers	231,160
Total Revenues	3,651,085
Operating Expenses	
Salaries and Wages	1,598,851
Payroll Taxes	121,926
Benefits	117,063
Grants	270,156
Professional Services	170,992
Professional Printing	187,678
Postage and Shipping	149,941
Merchandise Cost of Sales	131,970
Insurance and Bonding	29,780
Employee Travel and Meals	74,149
Social Events and Meetings	63,684
Office Supplies	23,158
Donor Recognition Expenses	8,530
Advertising and Corporate Promotion	36,499
Office Expenses	128,909
Bad Debt Expense	456,134
Employee Training and Education	7,720
Facilities Expenses	82,282
Depreciation and Amortization	265,435
Total Operating Expenses	3,924,857
OPERATING SURPLUS/(DEFICIT)	(273,772)
Other Income and Deductions	
Investment Income	(3,063,791)
Total Other Income and Deductions	(3,063,791)
NET SURPLUS/(DEFICIT)	\$ (3,337,563)

Operating Statement of Cash Flows
 For the Nine Month Period Ended March 31, 2009
 (Unaudited)

	Actual
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Net surplus/(deficit) for the period	\$(3,337,563)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Non-cash (income) expenses:	
Depreciation	265,435
Unrealized losses on investments	3,359,707
Unrealized gains on investments	(256,239)
Realized gains on investments	(127,164)
Gains on the sale of property and equipment	(100)
Changes in operating assets and liabilities:	
Decrease in accounts receivable	27,135
Decrease in contributions receivable, net	97,153
Decrease in inventory and prepaid expenses	16,233
Decrease in accounts payable and accrued expenses	(27,622)
Increase in deferred revenue	10,000
Net cash provided by (used in) operating activities	26,974
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchases of investments	(1,583,223)
Proceeds from the sale of investments	3,932,622
Purchases of property and equipment	(182,957)
Increase in construction-in-progress	(113,406)
Proceeds from the sale of property and equipment	100
Net cash provided by (used in) investing activities	2,053,136
Net increase (decrease) in cash and cash equivalents	2,080,110
Cash and cash equivalents, beginning of year	1,401,355
Cash and cash equivalents at March 31, 2009	\$ 3,481,465

Funds Held in Short-term Accounts

For the Nine Month Period Ended March 31, 2009
(Unaudited)

	Actual	Percentage
Petty Cash	\$ 550	0.02%
Operating Fund in Bank	377,819	10.85%
Investments in Money Funds	3,103,096	89.13%
TOTAL	\$ 3,481,465	100.00%

Schedule of Investments

For the Eight Month Period Ended February 28, 2009
(Unaudited)

	Actual	Percentage	Target
U. S. Equities (value and growth)	\$ 4,024,197	20.47%	26.00%
International Equities	3,953,956	20.11%	25.00%
Fixed Income	4,309,302	21.92%	10.00%
Real Estate	1,451,414	7.38%	8.00%
Alternatives	5,917,938	30.12%	31.00%
TOTAL	\$ 19,656,807	100.00%	100.00%

Schedule of Capital Purchases

For the Nine Month Period Ended March 31, 2009
 (Unaudited)

	Actual	Budget
Building and Grounds	\$ 103,349	\$ 85,000
Landscaping	283	-
Office Equipment	2,151	5,000
Vehicles	-	20,000
Furniture & Fixtures	4,570	20,000
Computer Equipment	15,088	51,000
Sabers	-	-
Other	1,300	1,000
Capitalized Lease-Furniture	-	-
Capitalized Software Costs	56,216	80,000
 TOTAL	 \$ 182,957	 \$ 262,000



Operating Statement of Activities - Cash Basis

For the Nine Month Period Ended March 31, 2009

(Unaudited)

	YTD Actual	Projection	Variance	Over/(Under)
Revenues				
Investment Income	\$0	\$0	\$0	-
Donations and Contributions	1,357,174	1,736,000	(378,826)	(21.82%)
Membership Dues	723,457	1,037,237	(313,780)	(30.25%)
Merchandising	212,210	179,029	33,181	18.53%
Member Services	9,092	18,771	(9,679)	(51.56%)
Advertising and Sponsorships	45,630	94,371	(48,741)	(51.65%)
Reunion Services	152,755	158,875	(6,120)	(3.85%)
Administration Fees	101,742	19,920	81,822	410.75%
Conferences	189,652	215,852	(26,200)	(12.14%)
Royalties	128,128	140,447	(12,319)	(8.77%)
Football Tickets and Tailgates	27,319	26,509	810	3.06%
Activities and Social Events	91,065	100,740	(9,675)	(9.60%)
Miscellaneous Income	1,681	674	1,007	149.41%
Transfers	253,000	495,000	(242,000)	(48.89%)
Total Revenues	3,292,905	4,223,425	(930,520)	(22.03%)
Operating Expenses				
Salaries and Wages	1,598,851	2,082,942	(484,091)	(23.24%)
Payroll Taxes	121,926	156,089	(34,163)	(21.89%)
Benefits	117,063	139,336	(22,273)	(15.99%)
Grants	269,696	250,000	19,696	7.88%
Professional Services	170,992	324,990	(153,998)	(47.39%)
Professional Printing	187,678	315,256	(127,578)	(40.47%)
Postage and Shipping	149,941	192,349	(42,408)	(22.05%)
Merchandise Cost of Sales	89,790	57,898	31,892	55.08%
Insurance and Bonding	18,415	66,839	(48,424)	(72.45%)
Employee Travel and Meals	74,149	63,626	10,523	16.54%
Social Events and Meetings	63,684	69,531	(5,847)	(8.41%)
Office Supplies	17,572	18,241	(669)	(3.67)%
Donor Recognition Expenses	8,530	24,053	(15,523)	(64.54%)
Advertising and Corporate Promotion	36,499	36,381	118	0.32%
Office Expenses	96,196	131,137	(34,941)	(26.64%)
Facilities Expenses	80,597	147,751	(67,154)	(45.45%)
Employee Training and Education	7,720	8,720	(1,000)	(11.47%)
Total Operating Expenses	3,109,299	4,085,139	(970,840)	(23.89%)
OPERATING SURPLUS/(DEFICIT)	183,606	138,286	45,320	32.77%
Capital Purchases	182,957	186,000	(3,043)	(1.64%)
NET SURPLUS/(DEFICIT)	\$649	(\$47,714)	\$48,363	(101.36%)



Unaudited Financial Statements
For the Nine Month Period Ended March 31, 2009

Management Discussion and Analysis

Financial Results

The enclosed financial results (pages 1 through 6) are prepared in accordance with generally accepted accounting principles (GAAP). Page 1 shows the financial position of the AOG operations at March 31. The Operating Statement of Activities shows operating results through March with revenues of \$3,651,000 and expenses of \$3,925,000. The resulting deficit is about \$274,000. Investment losses of approximately \$3,064,000 reflect the portion of the total fiscal year-to-date February investment losses of \$11,712,000 (37.2% down from the June 2008 portfolio value) that have been allocated to the operations of the AOG. The remaining losses have been allocated to temporarily restricted funds and the temporary portion of endowments in accordance with the Financial Management and Investment Policy (FMIP).

Revenues

Year-to-date contributions of \$1,735,000 include about \$1,183,000 in new pledges, and \$525,000 in one-time and matching gifts. There was an overall increase for the quarter of approximately \$523,000 in donations and contributions. Membership dues for the quarter have grown about \$226,000 to \$718,000, which consists of \$585,000 of recognized life memberships and \$133,000 of new memberships for the year. Merchandise sales grew about 14% during the quarter to \$212,000, far outpacing the annual budget of \$160,000. The efforts to increase counter and clearance sales have definitely paid off. Advertising revenue remains down year-to-date, primarily due to staff realignment, but still shows the pull back of local area advertisers. Administrative fees are unchanged from December because they do not reflect the fees for the Class of 1959 reunion that took place in April; in total, however they will exceed the annual budget of \$150,000. Income distributions from the SACC is on track to meet or slightly exceed the budget of \$218,000 as there is one conference left to be held in May. Year-to-date royalty income of \$128,000 partially reflects the realignment of receipts from Jostens and Bank of America to royalties instead of one-time gifts. New affinity programs are continually considered. Ticket and memorabilia sales from tailgates are relatively unchanged from December reporting as the football season concluded in early January with the bowl game. The significant variance to the budget of \$66,000 reflects the lower number of tailgates that the AOG sponsored from previous years. Income from the rental of Doolittle Hall, up from December results of \$70,000, continues to be strong and is anticipated to improve as the spring and summer activities begin for many organizations.

Expenses

Salaries and wages for the year are \$1,599,000, will end the year well below the budget of \$2,190,000, and are in line to approximately equal the projection of \$2,083,000, due to the reductions in staffing that occurred in the quarter. In some instances, voluntary terminations were replaced with capable staff at lower rates. Payroll taxes and benefits of \$121,000 and \$117,000 are expected to approximate their projected year-end amounts of \$156,000 and \$139,000, respectively. Grants of \$270,000 from unrestricted funds have been provided to the Academy through the end of March. Professional services paid year-to-date of \$171,000, that includes fees for the audit, tax return preparation, and attorney fees for employment consultation, as well as solicitation and research services by RuffaloCody, will end the year far below the budget of \$470,000, though the billing for some of those services typically lags by about two months. The \$188,000 of professional printing charges reflects those associated with the printing of the CheckPoints magazine through the March issue, as well as other publications related to Annual Fund and Sabre Society campaigns. Year-to-date postage and shipping expenses [\$150,000] are expected to exceed the budget by year-end and reflect the unplanned extra mailings in December for the year-end gift giving campaign. The cost of merchandise sold shows the FIFO valuation of inventory and identifies about a 38% margin on sales. Employee travel and meals of \$74,000 will be significantly below the budget of \$141,000, but have exceeded the earlier projection of \$64,000 as senior management is traveling more to promote the organization. Bad debts expense of \$456,000 includes unexpected write-offs in March of several large pledges from major donors who notified the AOG that they were not going to fulfill their pledges, and is a tremendous increase from the December amount of about \$86,000. Most of the remaining cost elements are in line with or below the annual budget.

Investment Income

The components of the shown investment loss allocated to AOG operations include interest and dividends of \$127,000, realized losses on the sale of investments of about \$76,000, and market adjustment losses of \$3,103,000. Approximately \$12,000 of portfolio management fees were also allocated to AOG operations. Approximately 27% of the entire portfolio investment results was allocated to AOG operations through February based on the guidelines of the FMIP.

Cash Basis Operating Statement of Activities

The final page of the presented financial statements is the comparison of the cash flow activities to the projection for operations that was submitted to the board in February.

- Donations and contributions of \$1.357 million, including cash, pledge payments, and matching gift payments, are on track to meet the projection or slightly exceed it.
- Membership dues should pick up some in May and June as parents of the incoming class of 2013 are expected to sign up for *WebGuy* access and other services.

- Merchandise sales through March have already exceeded the projected sales through year-end. Additional revenue is expected as the incoming class arrives.
- Member services revenue represents saber rentals, which should pick up some as graduation approaches.
- Administration fees include fundraising fees that were not previously charged to several classes for project solicitation campaigns that were concluded.
- Salaries, payroll taxes and benefits are right in line with the projection for the end of the year.
- Year-to-date cash expenditures for professional services generally lag by about two months but are likely to end the year slightly below the projection.
- Professional printing expenditures for *CheckPoints*, the *Parent Handbook*, and other publications and flyers should move closer to the year-end projection as the year progresses.
- The purchase of merchandise inventory is substantially higher than the projection because the projection did not anticipate the growth in sales or the replacement of older inventory items.
- The year-to-date March insurance premiums paid do not reflect the renewal paid in April. Total premiums, however, will be below the projection as our broker was able to secure coverage with a different carrier at lower rates.
- The projection for employee travel and meals did not anticipate extra travel by senior staff to help promote the AOG. As a result, the year-to-date results exceed the projection by about 17%.
- Donor recognition activities are planned for June and are therefore significantly below the projection through March.
- Paid office expenses are in line to approximate the projection at year-end.
- Facilities expenses of approximately \$81,000 reflect a two month lag of DFAS billings for utilities and the annual license fee for the Financial Edge software system paid in April, but total expenditures are expected to increase closer to the projection by the end of the year.