

The American Institute of Graphic Arts

Financial Statements

September 30, 2007



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

The Board of Directors The American Institute of Graphic Arts

We have audited the statement of financial position of The American Institute of Graphic Arts as of September 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of The American Institute of Graphic Arts' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The American Institute of Graphic Arts' September 30, 2006 financial statements and, in our report dated November 10, 2006, we expressed an unqualified opinion on those financial statements, before restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform 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 organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 The American Institute of Graphic Arts as of September 30, 2007, 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.

We also audited the adjustment described in Note 16 that was applied to restate the 2006 financial statements. In our opinion, such adjustment is appropriate and has been properly applied.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
January 8, 2008

The American Institute of Graphic Arts

Statement of Financial Position

September 30, 2007

(With comparative amounts at September 30, 2006)

	<u>2007</u>	<u>2006</u> (restated)
ASSETS		
Cash and cash equivalents		
Operating cash	\$ 1,933,716	\$ 1,259,692
Short term deposits	1,475	96,898
	<u>1,935,191</u>	<u>1,356,590</u>
Accounts receivable	209,825	185,909
Prepaid expenses and deposits	435,256	248,372
Investments	4,157,618	2,708,458
Property and equipment, net	2,650,734	2,625,821
Mortgage financing cost, net	<u>73,185</u>	<u>79,001</u>
	<u>\$ 9,461,809</u>	<u>\$ 7,204,151</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 394,109	\$ 344,522
Deferred revenue	3,452,653	2,010,506
Mortgage payable	<u>1,706,766</u>	<u>1,790,519</u>
Total Liabilities	<u>5,553,528</u>	<u>4,145,547</u>
Net Assets		
Unrestricted		
Undesignated	3,314,003	2,780,133
Board designated	<u>421,107</u>	<u>164,020</u>
	3,735,110	2,944,153
Temporarily restricted	<u>173,171</u>	<u>114,451</u>
Total Net Assets	<u>3,908,281</u>	<u>3,058,604</u>
	<u>\$ 9,461,809</u>	<u>\$ 7,204,151</u>

See notes to financial statements

The American Institute of Graphic Arts

Statement of Activities

Year Ended September 30, 2007

(With summarized totals for the year ended September 30, 2006)

	Unrestricted	Temporarily Restricted	Total	
			2007	2006 (restated)
REVENUE				
Membership dues	\$ 3,577,569	\$ -	\$ 3,577,569	\$ 3,033,529
Programs	3,134,386	-	3,134,386	1,416,637
Publications	40,471	-	40,471	23,513
Grants and contributions	424,075	68,720	492,795	590,761
Investment return and other interest	397,879	-	397,879	144,004
Miscellaneous	220,577	-	220,577	253,450
	7,794,957	-	7,863,677	5,461,894
Net assets released from restrictions	10,000	(10,000)	-	-
Total Revenue	7,804,957	58,720	7,863,677	5,461,894
EXPENSES				
Program services	5,932,648	-	5,932,648	4,636,952
Management and general	380,804	-	380,804	544,309
Fund raising	700,548	-	700,548	475,505
	7,014,000	-	7,014,000	5,656,766
Total Expenses	7,014,000	-	7,014,000	5,656,766
Change in Net Assets	790,957	58,720	849,677	(194,872)
NET ASSETS				
Beginning of year	2,944,153	114,451	3,058,604	3,253,476
End of year	\$ 3,735,110	\$ 173,171	\$ 3,908,281	\$ 3,058,604

See notes to financial statements

The American Institute of Graphic Arts

Statement of Cash Flows

Year Ended September 30, 2007

(With comparative amounts for the year ended September 30, 2006)

	2007	2006 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 849,677	\$ (194,872)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	162,547	160,242
Net realized and unrealized gain on investments	(257,191)	(66,006)
Changes in operating assets and liabilities		
Accounts receivable	(23,916)	119,590
Prepaid expenses and deposits	(186,884)	(179,116)
Accounts payable and accrued expenses	49,588	(531,483)
Deferred revenue	1,442,147	792,675
Net Cash Provided by Operating Activities	2,035,968	101,030
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,173,545	1,563,197
Purchase of investments	(4,365,514)	(2,567,048)
Acquisition of property and equipment	(181,645)	(236,824)
Net Cash Used by Investing Activities	(1,373,614)	(1,240,675)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on loan	(83,753)	(78,348)
Net Cash Used by Financing Activities	(83,753)	(78,348)
Net Change in Cash and Cash Equivalents	578,601	(1,217,993)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,356,590	2,574,583
End of year	\$ 1,935,191	\$ 1,356,590
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 117,249	\$ 122,217

See notes to financial statements

The American Institute of Graphic Arts

Notes to Financial Statements

1. Organization and Tax Status

The American Institute of Graphic Arts ("AIGA") was organized in 1914 to advance designing as a professional craft, strategic tool and vital cultural force. It provides leadership in the exchange of ideas and information, the encouragement of critical analysis and research, and the advancement of education and ethical practice. Fifty-nine chapters of AIGA operate throughout the United States. The accompanying financial statements do not include the financial position or the change in net assets and cash flows of these chapters, each of which is an autonomous corporation organized under the laws of the state in which it is located.

AIGA is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of AIGA to make certain estimates and assumptions relating to the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the amount of revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted amounts are those currently available at the discretion of the board for use in AIGA's operations. Temporarily restricted amounts are those which are stipulated by donors for specific purposes or periods. Permanently restricted amounts are those which are established by donor restricted gifts and bequests to provide a permanent endowment. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of demand deposit and money market accounts with original maturities of three months or less when purchased.

The American Institute of Graphic Arts

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Investments

Investments are stated at fair value based on quoted market prices. Changes in the fair value of investments are included in investment return on the statement of activities.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the estimated fair market value of the assets at the date of donation. Costs for repairs and maintenance are charged to expense as incurred. All plant assets, other than land are depreciated over their estimated useful lives using the straight-line method. Estimated useful lives used to calculate depreciation are as follows:

Building and improvements	30 years
Furniture, fixtures and equipment	5 years
Computer equipment	3 years

Deferred Revenue and Related Expenses

Revenue received and expenses paid in the current period for publications, conferences, exhibitions, programs and other events scheduled to take place in the subsequent period are deferred on the statement of financial position.

Membership dues are allocated to the period to which they relate and recognized accordingly. Membership dues billed and received in advance are reflected as deferred revenues in the statement of financial position.

Donated Materials and Services

Donated materials, generally printing and paper supplies, are estimated at \$418,830 and \$255,011 for the years ended September 30, 2007 and 2006. Donations are recorded in the statement of activities as revenue and are expensed when used.

An important part of AIGA's function is performed by volunteer officers and committees who serve without remuneration. No amounts have been reflected in the financial statements for such donated services as they do not meet the criteria for recognition.

Functional Allocation of Expenses

Expenses have been charged to program or supporting services, either directly when identifiable, or indirectly based on management's estimation of the services benefited.

The American Institute of Graphic Arts

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with AIGA's financial statements for the year ended September 30, 2006 from which the summarized information was derived.

3. Concentration of Credit Risk

AIGA maintains cash in bank accounts which at times may exceed federally insured limits. This potentially subjects AIGA to a concentration of credit risk. AIGA has not experienced any losses in such accounts.

The investment portfolio is managed by professional investment advisors and managers and is diversified by type of investment and industry concentrations so that no individual investment or group of investments represent a significant concentration of market risk.

4. Accounts Receivable

Accounts receivable at September 30, 2007 are expected to be collected within one year. Management has decided, after review of these receivables, that an allowance for uncollectible amounts is not necessary.

5. Prepaid Expenses and Deposits


Prepaid expenses and deposits at September 30 consist of the following:

	<u>2007</u>	<u>2006</u>
Conferences	\$ 275,684	\$ 136,681
Gala	-	37,982
Other prepayments	<u>159,572</u>	<u>73,709</u>
	<u>\$ 435,256</u>	<u>\$ 248,372</u>

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Notes to Financial Statements

6. Investments and Investment Return

 Investments at September 30 consists of the following:

	<u>2007</u>	<u>2006</u>
Common stock	\$ 2,764,789	\$ 701,886
U.S. Government bonds	241,399	495,754
Corporate bonds	118,682	264,078
International bonds	3,906	7,499
Mutual funds	75,795	238,789
Certificate of deposit	841,011	946,512
Short term deposits	<u>112,036</u>	<u>53,940</u>
	<u>\$ 4,157,618</u>	<u>\$ 2,708,458</u>

Investment return for the year ended September 30 is summarized as follows:

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 75,743	\$ 57,135
Net unrealized gain on investments	78,743	17,101
Net realized gain on sale of investments	<u>178,448</u>	<u>48,905</u>
	<u>\$ 332,934</u>	<u>\$ 123,141</u>

7. Property and Equipment

Property and equipment at September 30 consist of the following:

	<u>2007</u>	<u>2006</u>
Land	\$ 388,800	\$ 388,800
Building	806,200	806,200
Building improvements	2,432,443	2,292,820
Office machinery and equipment	552,604	520,083
Furniture and fixtures	<u>296,022</u>	<u>286,522</u>
	4,476,069	4,294,425
Accumulated depreciation	<u>(1,825,335)</u>	<u>(1,668,604)</u>
	<u>\$ 2,650,734</u>	<u>\$ 2,625,821</u>

Depreciation expense for the years ended September 30, 2007 and 2006 was \$156,731 and \$154,426.

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Notes to Financial Statements

8. Mortgage Financing Cost

Mortgage financing cost, which represents the unamortized balance of expenses incurred associated with the March 2006 refinancing, is amortized over the life of the loan and consists of the following at September 30:

	<u>2007</u>	<u>2006</u>
Legal fees	\$ 5,073	\$ 5,073
Other	<u>82,168</u>	<u>82,168</u>
	87,241	87,241
Accumulated amortization	<u>(14,056)</u>	<u>(8,240)</u>
	<u>\$ 73,185</u>	<u>\$ 79,001</u>

Amortization expense for the years ended September 30, 2007 and 2006 was \$5,816.

9. Deferred Revenue

Deferred revenue at September 30 consists of the following

	<u>2007</u>	<u>2006</u>
Conferences and other	\$ 1,953,780	\$ 733,055
Membership dues	<u>1,498,873</u>	<u>1,277,451</u>
	<u>\$ 3,452,653</u>	<u>\$ 2,010,506</u>

The American Institute of Graphic Arts

Notes to Financial Statements

10. Mortgage Bonds Payable

In March 2005, AIGA entered into a 15 year mortgage loan agreement with Citibank, N.A. for \$1,900,000, at a fixed interest rate of 6.69% that matures on April 1, 2020. The loan proceeds were used to pay the remaining outstanding balance of \$1,130,000 on Series 1993 Civic Facility Revenue the mortgage bonds payable and to satisfy the remaining balance of \$193,173 of AIGA's loan with the Bank of New York.

Future annual principal payments are as follows for years ending September 30:

2008	\$ 89,534
2009	95,711
2010	102,314
2011	109,373
2012	116,919
2013 and thereafter	1,192,915

Interest expense on all debt for the year ended September 30, 2007 was \$116,782.

11. AIGA Legacy Campaign

The AIGA Legacy Campaign is the banner under which a variety of funds have been created to channel charitable gifts toward the challenges facing the profession. The funds to which people giving to the campaign can commit their donations include Funds in support of AIGA's archives and scholarship programs, as well as the AIGA Legacy fund (for special projects), the Legacy Endowment (to secure the future of AIGA), the Diversity Fund, Winterhouse Design Writing & Criticism Awards and the AIGA Disaster Relief Fund.

Board designated net assets at September 30, 2007 consist of the following

AIGA Legacy Fund/Design Experience Fund	\$ 240,292
Archives Funds	14,110
Scholarship Funds	73,276
Legacy Endowment	23,429
Diversity Fund	20,000
Denver Archives	50,000
	<u>50,000</u>
	<u>\$ 421,107</u>

The American Institute of Graphic Arts

Notes to Financial Statements

12. Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2007 consist of the following

Scholarship Fund	\$ 61,734
Disaster Relief Fund	16,587
Denver Archives	33,700
Winterhouse Writing Awards	<u>61,150</u>
	<u>\$ 173,171</u>

13. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses of \$10,000, from the Scholarship Fund, satisfying the restricted purposes during the year ended September 30, 2007.

14. Retirement Plans

AIGA has a defined contribution retirement plan which covers substantially all full time employees. Contributions are made entirely by AIGA, which are budgeted and approved annually at the discretion of the Board of Directors. Expense for the years ended September 30, 2007 and 2006 amounted to \$105,211 and \$116,639.

15. Related Party Transactions

AIGA provides management and personnel services to AIGA's New York Chapter. Fees and expenses billed by AIGA for the years ended September 30, 2007 and 2006 totaled the following:

	<u>2007</u>	<u>2006</u>
Management fees	\$ 16,200	\$ 12,000
Payroll and related benefits	<u>195,954</u>	<u>126,621</u>
	<u>\$ 212,154</u>	<u>\$ 138,621</u>

16. Prior Period Adjustment

Subsequent to the issuance of AIGA's 2006 consolidated financial statements, management became aware that contributions restricted by donors had not been properly reported on those financial statements. The inclusion of these items in the restated financial statements had the effect of increasing temporarily restricted net assets and decreasing unrestricted net assets at September 31, 2006 by \$70,587.

The American Institute of Graphic Arts

Notes to Financial Statements

17. Reclassification

Certain September 30, 2006 amounts have been reclassified to conform with the current year presentation.