

The American Institute of Graphic Arts

Financial Statements

September 30, 2008



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 ("AIGA") as of September 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of AIGA's 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 AIGA's September 30, 2007 financial statements and, in our report dated January 8, 2008, we expressed an unqualified opinion on those financial statements.

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, 2008, 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.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
March 20, 2009

The American Institute of Graphic Arts

Statement of Financial Position

September 30, 2008

(With comparative amounts at September 30, 2007)

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents		
Operating cash	\$ 708,643	\$ 1,933,716
Short term deposits	1,122	1,475
	<u>709,765</u>	<u>1,935,191</u>
Accounts receivable	151,040	209,825
Prepaid expenses and deposits	290,026	435,256
Investments	3,426,052	4,157,618
Property and equipment, net	2,599,458	2,650,734
Mortgage financing cost, net	67,369	73,185
	<u>\$ 7,243,710</u>	<u>\$ 9,461,809</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 379,968	\$ 394,109
Deferred revenue	2,136,563	3,452,653
Mortgage payable	1,617,234	1,706,766
Total Liabilities	<u>4,133,765</u>	<u>5,553,528</u>
Net Assets		
Unrestricted		
Undesignated	2,259,569	3,314,003
Board designated	543,952	421,107
	<u>2,803,521</u>	<u>3,735,110</u>
Temporarily restricted	206,424	173,171
Permanently restricted	100,000	-
Total Net Assets	<u>3,109,945</u>	<u>3,908,281</u>
	<u>\$ 7,243,710</u>	<u>\$ 9,461,809</u>

See notes to financial statements

The American Institute of Graphic Arts

Statement of Activities

Year Ended September 30, 2008

(With summarized totals for the year ended September 30, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2008	2007
REVENUE					
Membership dues	\$ 3,718,816	\$ -	\$ -	\$ 3,718,816	\$ 3,577,569
Programs	4,006,415	-	-	4,006,415	3,134,386
Publications	21,397	-	-	21,397	40,471
Grants and contributions	67,581	137,803	100,000	305,384	492,795
Investment return and other interest	(863,646)	-	-	(863,646)	397,879
Miscellaneous	307,673	-	-	307,673	220,577
	7,258,236	137,803	100,000	7,496,039	7,863,677
Net assets released from restrictions	104,550	(104,550)	-	-	-
Total Revenue	7,362,786	33,253	100,000	7,496,039	7,863,677
EXPENSES					
Program services	7,369,824	-	-	7,369,824	5,932,648
Management and general	363,545	-	-	363,545	380,804
Fund raising	561,006	-	-	561,006	700,548
	8,294,375	-	-	8,294,375	7,014,000
Change in Net Assets	(931,589)	33,253	100,000	(798,336)	849,677
NET ASSETS					
Beginning of year	3,735,110	173,171	-	3,908,281	3,058,604
End of year	\$ 2,803,521	\$ 206,424	\$ 100,000	\$ 3,109,945	\$ 3,908,281

See notes to financial statements

The American Institute of Graphic Arts

Statement of Cash Flows

Year Ended September 30, 2008

(With comparative amounts for the year ended September 30, 2007)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (798,336)	\$ 849,677
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	170,803	162,547
Net realized and unrealized loss (gain) on investments	967,973	(257,191)
Permanently restricted contribution	(100,000)	-
Changes in operating assets and liabilities		
Accounts receivable	58,785	(23,916)
Prepaid expenses and deposits	145,230	(186,884)
Accounts payable and accrued expenses	(14,141)	49,588
Deferred revenue	(1,316,090)	1,442,147
Net Cash From Operating Activities	(885,776)	2,035,968
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,398,002	3,173,545
Purchase of investments	(1,634,409)	(4,365,514)
Acquisition of property and equipment	(113,711)	(181,645)
Net Cash From Investing Activities	(350,118)	(1,373,614)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on loan	(89,532)	(83,753)
Proceeds from permanently restricted contribution	100,000	-
Net Cash From Financing Activities	10,468	(83,753)
Net Change in Cash and Cash Equivalents	(1,225,426)	578,601
CASH AND CASH EQUIVALENTS		
Beginning of year	1,935,191	1,356,590
End of year	\$ 709,765	\$ 1,935,191
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 110,972	\$ 117,249

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. Sixty-two 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 revenue in the statement of financial position.

Donated Materials and Services

Donated materials, generally printing and paper supplies, are estimated at \$786,805 and \$418,830 for the years ended September 30, 2008 and 2007. 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, 2007 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, 2008 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>2008</u>	<u>2007</u>
Conferences	\$ 73,665	\$ 275,684
Gala	30,000	-
2009 "Year in Design 29" book	103,525	-
Other prepayments	<u>82,836</u>	<u>159,572</u>
	<u>\$ 290,026</u>	<u>\$ 435,256</u>

The American Institute of Graphic Arts

Notes to Financial Statements

6. Investments and Investment Return

Investments at September 30 consists of the following:

	<u>2008</u>	<u>2007</u>
Common stock	\$ 2,711,990	\$ 2,764,789
U.S. Government bonds	216,601	241,399
Corporate bonds	142,642	118,682
International bonds	13,738	3,906
Mutual funds	137,038	75,795
Certificate of deposit	49,629	841,011
Short term deposits	<u>154,414</u>	<u>112,036</u>
	<u>\$ 3,426,052</u>	<u>\$ 4,157,618</u>

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

	<u>2008</u>	<u>2007</u>
Interest and dividends	104,327	\$ 140,688
Net unrealized (loss) gain on investments	(822,470)	78,743
Net realized (loss) gain on sale of investments	<u>(145,503)</u>	<u>178,448</u>
	<u>\$ (863,646)</u>	<u>\$ 397,879</u>

As a result of market declines, the fair value of a donor-restricted endowment was less than the level required by donor stipulations or law. These investment losses have been recorded as reductions in unrestricted net assets. At September 30, 2008, this deficiency in unrestricted net assets was \$3,897.

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Notes to Financial Statements

7. Property and Equipment

Property and equipment at September 30 consist of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 388,800	\$ 388,800
Building	806,200	806,200
Building improvements	2,515,877	2,432,443
Office machinery and equipment	556,378	552,604
Furniture and fixtures	<u>297,668</u>	<u>296,022</u>
	4,564,923	4,476,069
Accumulated depreciation	<u>(1,965,465)</u>	<u>(1,825,335)</u>
	<u>\$ 2,599,458</u>	<u>\$ 2,650,734</u>

Depreciation expense for the years ended September 30, 2008 and 2007 was \$164,987 and \$156,731. During 2008, AIGA wrote off fully depreciated assets totaling \$24,857 that are no longer in use. There were no assets written off or disposed of during 2007.

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>2008</u>	<u>2007</u>
Legal fees	\$ 5,073	\$ 5,073
Other	<u>82,168</u>	<u>82,168</u>
	87,241	87,241
Accumulated amortization	<u>(19,872)</u>	<u>(14,056)</u>
	<u>\$ 67,369</u>	<u>\$ 73,185</u>

Amortization expense for the years ended September 30, 2008 and 2007 was \$5,816.

The American Institute of Graphic Arts

Notes to Financial Statements

9. Deferred Revenue

Deferred revenue at September 30 consists of the following:

	<u>2008</u>	<u>2007</u>
Conferences and other	\$ 735,093	\$ 1,953,780
Membership dues	<u>1,401,470</u>	<u>1,498,873</u>
	<u>\$ 2,136,563</u>	<u>\$ 3,452,653</u>

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 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:

2009	95,711
2010	102,314
2011	109,373
2012	116,919
2013	124,981
Thereafter	1,067,936

Interest expense on all debt for the years ended September 30, 2008 and 2007 was \$110,972 and \$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.

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Notes to Financial Statements

11. AIGA Legacy Campaign *(continued)*

Board designated net assets at September 30, 2008 consist of the following

AIGA Legacy Fund/Design Experience Fund	\$ 244,680
Archives Funds	23,129
Scholarship Funds	114,411
Legacy Endowment	44,300
Diversity Fund	30,282
Denver Archives	<u>87,150</u>
	<u>\$ 543,952</u>

12. Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2008 consist of the following

Scholarship Fund	\$ 142,862
Disaster Relief Fund	9,087
Winterhouse Writing Awards	<u>54,475</u>
	<u>\$ 206,424</u>

13. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors during the fiscal year ended September 30, 2008:

Scholarship Fund	\$ 40,000
Disaster Relief Fund	7,500
Denver Archives	33,700
Winterhouse Writing Awards	<u>23,350</u>
	<u>\$ 104,550</u>

14. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investments held in perpetuity, the income from which is expendable to support the Henry Wolf AIGA Scholarships.

15. 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, 2008 and 2007 amounted to \$131,353 and \$105,211.

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Notes to Financial Statements

16. Related Party Transactions

AIGA provides management and personnel services to AIGA's New York Chapter. In addition, AIGA has executed an agreement in 2008 with the State of Oregon, acting by and through the Office of the Secretary of State (the "SOS"). The purpose of this agreement is for the AIGA to provide a communication designer for a one-year fellowship to assist SOS in the design of election materials. Fees and expenses billed by AIGA for the years ended September 30, 2008 and 2007 totaled the following:

	<u>2008</u>	<u>2007</u>
Management fees - New York chapter	\$ 16,200	\$ 16,200
Payroll and related benefits - New York chapter	172,314	195,954
Payroll and related benefits - Election Fellow	<u>40,164</u>	<u>-</u>
	<u>\$ 228,678</u>	<u>\$ 212,154</u>

17. Subsequent Events

Subsequent to year end, the credit and liquidity crisis in the United States has resulted in substantial volatility in the global financial markets. As a result, the AIGA's investment portfolio has incurred a significant decline in fair value since September 30, 2008. However, because the values of the organization's individual investments have and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.