

**The American Institute of Graphic Arts**

Financial Statements

September 30, 2006



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, 2006, 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, 2005 financial statements and, in our report dated November 4, 2005, 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 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, 2006, 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  
November 10, 2006

# The American Institute of Graphic Arts

## Statement of Financial Position

September 30, 2006

(With comparative amounts at September 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Cash and cash equivalents		
Operating cash	\$ 1,259,692	\$ 2,306,274
Short term deposits	96,898	268,309
	<u>1,356,590</u>	<u>2,574,583</u>
Accounts receivable	185,909	305,499
Prepaid expenses and deposits	248,372	69,256
Investments	2,708,458	1,638,601
Property and equipment, net	2,625,821	2,543,423
Mortgage financing cost, net	<u>79,001</u>	<u>84,817</u>
	<u>\$ 7,204,151</u>	<u>\$ 7,216,179</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 344,522	\$ 876,005
Deferred revenue	2,010,506	1,217,831
Mortgage payable	<u>1,790,519</u>	<u>1,868,867</u>
Total Liabilities	<u>4,145,547</u>	<u>3,962,703</u>
Net Assets		
Unrestricted		
Undesignated	2,850,720	2,919,764
Board designated	<u>164,020</u>	<u>279,483</u>
	3,014,740	3,199,247
Temporarily restricted	<u>43,864</u>	<u>54,229</u>
Total Net Assets	<u>3,058,604</u>	<u>3,253,476</u>
	<u>\$ 7,204,151</u>	<u>\$ 7,216,179</u>

See notes to financial statements.

## The American Institute of Graphic Arts

### Statement of Activities

Year Ended September 30, 2006  
(With summarized totals for the year ended September 30, 2005)

	Unrestricted	Temporarily Restricted	Total	
			2006	2005
<b>REVENUE</b>				
Membership dues	\$ 3,033,529	\$ -	\$ 3,033,529	\$ 2,828,142
Programs	1,416,637	-	1,416,637	3,563,994
Publications	23,513	-	23,513	86,976
Grants and contributions	590,761	-	590,761	171,366
Investment return and other interest	144,004	-	144,004	154,479
Miscellaneous	253,450	-	253,450	174,835
	5,461,894	-	5,461,894	6,979,792
Net assets released from restrictions	10,365	(10,365)	-	-
Total Revenue	5,472,259	(10,365)	5,461,894	6,979,792
<b>EXPENSES</b>				
Program services	4,569,604	-	4,569,604	5,331,667
Management and general	733,350	-	733,350	801,946
Fund raising	353,812	-	353,812	135,115
Total Expenses	5,656,766	-	5,656,766	6,268,728
Change in Net Assets	(184,507)	(10,365)	(194,872)	711,064
<b>NET ASSETS</b>				
Beginning of year	3,199,247	54,229	3,253,476	2,542,412
End of year	\$ 3,014,740	\$ 43,864	\$ 3,058,604	\$ 3,253,476

See notes to financial statements.

**The American Institute of Graphic Arts**

Statement of Cash Flows

Year Ended September 30, 2006

(With comparative amounts for the year ended September 30, 2005)

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (194,872)	\$ 711,064
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	160,242	226,406
Net realized and unrealized gain on investments	(66,006)	(90,963)
Changes in operating assets and liabilities		
Accounts receivable	119,590	(207,102)
Prepaid expenses and deposits	(179,116)	160,933
Escrow account	-	124,552
Accounts payable and accrued expenses	(531,483)	440,065
Deferred revenue	<u>792,675</u>	<u>(308,873)</u>
Net Cash Provided by Operating Activities	<u>101,030</u>	<u>1,056,082</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,563,197	1,898,711
Purchase of investments	(2,567,048)	(2,045,828)
Acquisition of property and equipment	<u>(236,824)</u>	<u>(187,169)</u>
Net Cash Used by Investing Activities	<u>(1,240,675)</u>	<u>(334,286)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refinancing costs	-	(87,241)
Proceeds from loan	-	1,900,000
Payment on mortgage bonds payable	-	(1,155,000)
Payments on loan	<u>(78,348)</u>	<u>(249,250)</u>
Net Cash Provided (Used) by Financing Activities	<u>(78,348)</u>	<u>408,509</u>
Net Change in Cash and Cash Equivalents	(1,217,993)	1,130,305
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,574,583</u>	<u>1,444,278</u>
End of year	<u>\$ 1,356,590</u>	<u>\$ 2,574,583</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 122,217	\$ 133,094

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-seven 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

#### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

#### *Use of Estimates*

AIGA's management has made certain estimates and assumptions relating to the reporting of assets and liabilities and the 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.

#### *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*

Donation of materials, generally printing and paper supplies, are estimated at \$255,011 and \$249,405 for the years ended September 30, 2006 and 2005, respectively. 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, 2005 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, 2006 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>2006</u>	<u>2005</u>
365: Year in Design	\$ -	\$ 1,307
Gala	37,982	-
Conferences	136,681	1,379
Other prepayments	<u>73,709</u>	<u>66,570</u>
	<u>\$ 248,372</u>	<u>\$ 69,256</u>

## The American Institute of Graphic Arts

### Notes to Financial Statements

#### 6. Investments and Investment Return

The fair value of investments at September 30 consists of the following

	<u>2006</u>	<u>2005</u>
Common stock	\$ 701,886	\$ 655,184
U.S. Government bonds	495,754	461,614
Corporate bonds	264,078	278,156
International bonds	7,499	16,011
Mutual funds	238,789	202,115
Certificate of Deposit	946,512	-
Short term deposits	<u>53,940</u>	<u>25,521</u>
	<u>\$2,708,458</u>	<u>\$ 1,638,601</u>

Investment return for the year ended September 30, 2006 is summarized as follows

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 50,984	\$ 50,193
Net unrealized gain on investments	23,252	52,765
Net realized gain on sale of investments	<u>48,905</u>	<u>38,198</u>
	<u>\$ 123,141</u>	<u>\$ 141,156</u>

#### 7. Property and Equipment

Property and equipment at September 30 consist of the following

	<u>2006</u>	<u>2005</u>
Land	\$ 388,800	\$ 388,800
Building	806,200	806,200
Building improvements	2,292,820	2,164,965
Office machinery and equipment	520,083	463,000
Furniture and fixtures	<u>286,522</u>	<u>234,636</u>
	4,294,425	4,057,601
Accumulated depreciation	<u>(1,668,604)</u>	<u>(1,514,178)</u>
	<u>\$ 2,625,821</u>	<u>\$ 2,543,423</u>

Depreciation expense for the years ended September 30, 2006 and 2005 was \$154,426 and \$130,856, respectively.

## The American Institute of Graphic Arts

### Notes to Financial Statements

#### 8. Mortgage Financing Cost

Mortgage financing cost, which represents the cumulative 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>2006</u>	<u>2005</u>
Legal fees	\$ 5,073	\$ 5,073
Other	<u>82,168</u>	<u>82,168</u>
	87,241	87,241
Accumulated amortization	<u>(8,240)</u>	<u>(2,424)</u>
	<u>\$ 79,001</u>	<u>\$ 84,817</u>

Amortization expense for the years ended September 30, 2006 and 2005 was \$5,816 and \$95,371, respectively.

#### 9. Deferred Revenue

Deferred revenue at September 30 consists of the following

	<u>2006</u>	<u>2005</u>
Conferences and other	\$ 733,055	\$ 98,096
Membership dues	<u>1,277,451</u>	<u>1,119,735</u>
	<u>\$ 2,010,506</u>	<u>\$ 1,217,831</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 principal payments are as follows

September 30, 2007	\$ 83,756
2008	89,534
2009	95,711
2010	102,314
2011	109,373
2012 and thereafter	1,309,829

Interest expense on all debt for the year ended September 30, 2006 was \$122,217.

#### 11. Creative Leadership Campaign

The Creative Leadership 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 the AIGA National Building Center Fund (for contributions to the capital expenses of the building renovation), the AIGA Design Leadership Fund (for special projects), the AIGA Scholarship Fund, AIGA Disaster Relief Fund, and AIGA Archives Fund.

Board designated net assets at September 30, 2006 consist of the following

Design Experience Fund	\$ 103,102
Archives Fund	<u>60,918</u>
	<u>\$ 164,020</u>

Temporarily restricted net assets at September 30, 2006 consist of the following

Scholarshp Fund	<u>\$ 43,864</u>
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# The American Institute of Graphic Arts

## Notes to Financial Statements

### 12. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes during the year ended September 30, 2006

Scholarship Fund	\$	10,000
Archives Fund		<u>365</u>
	\$	<u>10,365</u>

### 13. 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 and vary between 1% and 11% of compensation. Expense for the years ended September 30, 2006 and 2005 amounted to \$116,639 and \$81,484, respectively.

### 14. 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, 2006 and 2005 totaled the following

	<u>2006</u>	<u>2005</u>
Management fees	\$ 12,000	\$ 12,000
Payroll and related benefits	<u>126,621</u>	<u>109,334</u>
	<u>\$ 138,621</u>	<u>\$ 121,334</u>

### 15. Reclassification

Certain September 30, 2005 amounts have been reclassified to conform with the current year presentation.