

(SLIDE 1) Good Morning Everyone! Thank you so very much for joining us here this morning and best of luck to all the Delegates running for the Standing Committees! Before I embark on our financial report through August 31st, please also know that our thoughts and prayers are with all those that have been affected by Hurricane Florence. May you all reach a full and safe recovery soon.

(SLIDE 2) Let's begin by examining our year-to-date summary of Revenues and Expenses. Total Revenue of \$50.0 million dollars has been offset by Total Expenses of \$46.8 million, which reflects operating income of **(Transition 1)** \$3.2 million which is below our comparative operating income of **(Transition 2)** \$4.9 million at this same time last year. Let's take a detailed look at some specifics and considerations.

(SLIDE 3) In our comparison of year to date revenue, we are up by **(Transition 1)** \$2.5 million dollars or **(Transition 2)** 5.4%! What organizational areas have been our most successful through eight months? Let's examine further along in our revenue drivers.

(SLIDE 4) Our Core Registration Volumes reflect very positive performance. Year to date we have registered approximately **(Transition 1)** 170,000 Litters which is a 6% increase from last year, as well as **(Transition 2)** 401,000 Dogs which represents a 4% prior year increase. These two top line items have afforded us **(Transition 3)** nearly \$1.4 million dollars in additional year over year revenue! Congratulations to all areas of staff that have contributed to these

encouraging accomplishments!

(SLIDE 5) Next let's focus on other business areas that have had year to date revenue successes. Revenue in our **(Transition 1)** Royalties and Sponsors, including royalties received to **(Transition 2)** AKC from our affiliates, have risen by \$975,000 or approximately 28%. Our Canine Good Citizen and Trick Dog Programs' **(Transition 3)** income has soared by \$446,000 or 41% in eight months this year in comparison to prior. Our AKC Marketplace **(Transition 4)** as well as our Ecommerce **(Transition 5)** platform have reflected reasonably significant dollar increases during this year. Marketplace is up by \$337,000 and Ecommerce by \$311,000. We are planning to continue to modify our efforts in both of these programs in order to maximize their financial worth. Our Canine Partners **(Transition 6)** program has also outperformed its' previous year comparison by 29% or approximately \$163,000.

(SLIDE 6) On the cost side of the equation, next we'll observe our year to date expenses. Management plans to continue to monitor costs closely throughout the balance of this fiscal year and methods to keep daily operations in line in a most financially sound and efficient manner.

(SLIDE 7) Total expenses through August 31, 2018 have increased by **(Transition 1)** 10% or \$4.2 **(Transition 2)** million dollars from the August 31, 2017 level. The first area to provide an explanation relates to our Payroll and Benefits.

(Transition 3) Our payroll and benefits costs are up \$1,003,000 or 4.5%. The influencing factor to this increase lies within our overall current full time

equivalent headcount of 343, which is 4.2% greater than August 2017's 329.

(SLIDE 8) There are other year to date expenses that have risen from previous levels. Let's analyze them. **(Transition 1)** Our year to date contributions supporting the AKC Canine Health Foundation, including theriogenology research **(Transition 2)**, have increased by \$694,000. Our Consulting costs, **(Transition 3)** year over year, are markedly higher by about 75% at just over \$1 million dollars. AKC.TV development, along with our NY office relocation have most impacted this line item. Our Marketing services **(Transition 4)** costs have increased by 30% over 2017. This specifically is an area that we fully expect to closely monitor and control as the balance of the year progresses.

Predominately as a function of increased registrations, our postage and supplies costs **(Transition 5)** have increased by a combined \$556,000 or 21% over the comparative eight months from 2017. Again, I reiterate, that management plans to continue to monitor not only these highlighted line items, but all costs very closely throughout the balance of this fiscal year.

(SLIDE 9) In addition to our results from operations, next we can provide some details on the tremendous success of our marketable investment portfolio through the first eight months of our fiscal year. Our investments **(Transition 1)** have yielded a 4% unrealized gain this year. These gains value to a \$3.9 million dollar **(Transition 2)** increase in our investment balances. Our relative benchmark for our portfolio during the comparative period was 3.5% **(Transition 3)**, so we currently are outperforming the expectations set for our portfolio so

far this fiscal year by 50 basis points.

(SLIDE 10) The non-consolidated Balance Sheet of the AKC at August 31, 2018 reflects \$183.7 million dollars in Total Assets. Our Cash and Investment balances total more than 80% of these assets. This is the core of the financial strength of the AKC. Our total liabilities recorded are \$84.8 million. Almost 75% of our liabilities lie within our long term pension and post retirement benefit obligations. Our NET Assets of \$98.8 million dollars have increased by 14% since August of last year. We're doing well in our core programs, and we expect to improve cost controls through the end of the year, while the financial markets continue to maintain their phenomenal strength. All of these factors are combining to provide sustained positive financial performance.

In closing, I will remind you that the full deck that I've presented here will be available on the portal by close of business tomorrow for you to communicate with your clubs. If you have any questions, please feel free to make contact.

(SLIDE 10) I again ask all of us to Stay Safe and Take Care of the kings and queens that we all love so dearly! Look forward to seeing you all again in Orlando. Have a wonderful afternoon!

August 2018 Financial Performance Report

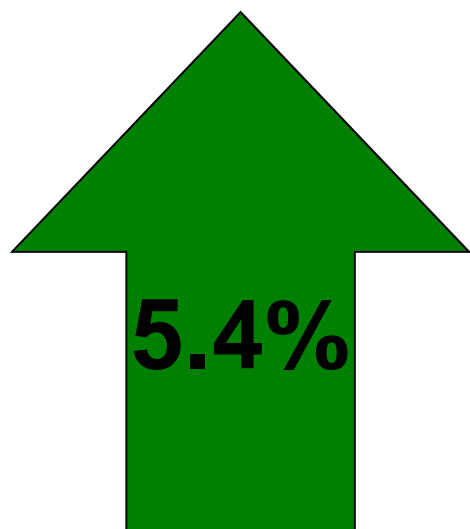


September 2018 Delegates' Meeting

REVENUE & EXPENSE SUMMARY
AS OF AUGUST 31,
(IN THOUSANDS)

	2018	2017
REVENUES	\$50,046	\$47,498
EXPENSES	\$46,821	\$42,584
OPERATING INCOME	\$3,225	\$4,914

**TOTAL REVENUES
YTD COMPARISON
AS OF AUGUST 31,**



**\$2.5
million**

CORE REGISTRATION VOLUMES YTD COMPARISON AS OF AUGUST 31,

Litters	170,000	+6%
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Dogs	401,000	+4%
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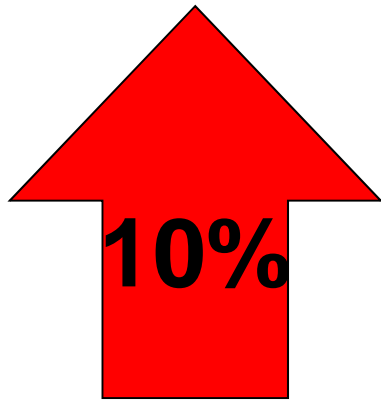
- **nearly \$1.4 million in Revenue**

OTHER YTD REVENUE INCREASES

- ***Royalties & Sponsors*** **\$975,000** **+28%**
(including affiliate royalties)
- ***CGC & Trick Dog Programs*** **\$446,000** **+41%**
- ***AKC Marketplace*** **\$337,000** **+49%**
- ***ECommerce*** **\$311,000** **+40%**
- ***Canine Partner Listings*** **\$163,000** **+29%**



**TOTAL EXPENSES
YTD COMPARISON
AS OF AUGUST 31,**



\$4.2 million

Payroll/Benefits \$1,003,000 +4.5%
FTE Actual Headcount of 343 from 329

OTHER YTD EXPENSE INCREASES

- ***CHF Contributions*** **\$694,000** **+175%**
(including Theriogenology Programs)
- ***Consulting Costs*** **\$1,027,000** **+76%**
- ***Marketing services*** **\$765,000** **+30%**
- ***Postage and supplies*** **\$556,000** **+21%**

**INVESTMENT PERFORMANCE
FOR EIGHT MONTHS ENDED AUGUST 2018**

- **Investment return** **4%**
- **Investment Gains** **\$3.9 million**
- **Composite Benchmark
for AKC's portfolio** **3.5%**

AKC BALANCE SHEET
AUGUST 31, 2018 vs. 2017
(IN MILLIONS)

	2018	2017
TOTAL ASSETS	\$183,740	\$157,098
TOTAL LIABILITIES	\$84,886	\$70,471
NET ASSETS	\$98,854	\$86,627

**Stay safe! See you again
in**



Orlando!!

