

November 2018 Financial Performance Report

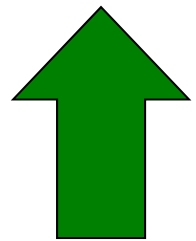


December 2018 Delegates' Meeting

REVENUE & EXPENSE SUMMARY AS OF NOVEMBER 30, (IN THOUSANDS)

	2018	2017
REVENUES	\$68,169	\$65,284
EXPENSES	65,030	60,286
OPERATING INCOME	\$3,139	\$4,998

**TOTAL REVENUES
YTD COMPARISON
AS OF NOVEMBER 30,**



\$2.8 million +4.4%

**CORE REGISTRATION VOLUMES
YTD COMPARISON
AS OF NOVEMBER 30,
(rounded)**

2018:

Litters

230,000

+5%

Dogs

534,000

+3%

2017:

Litters

219,000

Dogs

518,000



Major Revenue Increases in 2018

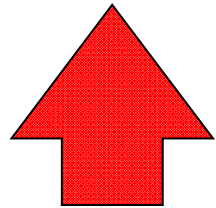
Registration related items:

Dogs	\$1.3 million
Litters	\$297,000
Canine Partners – Listings	\$169,000

Ecommerce	\$207,000
Marketplace	\$184,000
Good Dog! Helpline	\$110,000

CGG / Trick Dog	\$566,000
Affiliate Royalties	\$464,000

**TOTAL EXPENSES
YTD COMPARISON
AS OF NOVEMBER 30,**



\$4.7 million 7.9%

Major Expense Increases YTD

Payroll and Benefits \$338,000

Consultants \$432,000

Contributions \$607,000

Rent / Relocation \$850,000

Service Fees \$806,000

**INVESTMENT PERFORMANCE
FOR ELEVEN MONTHS ENDED
NOVEMBER 30, 2018**

- **Investment loss** **(\$314,000)**
- **Investment return** **-.25%**
- **Benchmark for AKC's
combined market portfolio** **-1.8%**

AKC BALANCE SHEET
YTD 2018 vs. 2017
(IN MILLIONS)

	2018	2017
TOTAL ASSETS	\$166,334	\$165,007
TOTAL LIABILITIES	\$74,043	\$71,345
TOTAL NET ASSETS	\$92,291	\$93,662

Enjoy this wonderful weekend ahead!



Continued success to all for 2019!

Happy New Year !!

Good morning Everyone! Welcome to those joining us for the first time as new Delegates as well as those celebrating all the wonderful events here in Orlando! Congratulations and have fun at the AKC National Championship presented by Royal Canin! Before we continue to enjoy in all the festivities with such great people and most especially the wonderful dogs from all around the world - I am here to provide you with financial results of The American Kennel Club through November 30, 2018.

Taking a macro review, let's recap our year to date revenues and expenses. Through this past month-end, we have recorded over \$68.1 million in Total Revenue and \$65 million in Total Expenses, for an Operating Income of \$3.1 million dollars. In comparison to our prior year results where we recognized \$65.2 million in Revenue with \$60.2 million in Expenses for an exceptional Operating Income of just about \$5.0 million dollars.

Leading off in the details, our total year to date revenue comparison showcases an overall increase of \$2.8 million dollars or 4.4% from November 30, 2017. Let's ascertain where the successes have been.

Core Registration Volumes through November 30. We have registered grand totals of 230,000 litters and 534,000 dogs over 11 months this year. Our litter volume has increased by

5% from 219,000 in 2017, while our dog registrations have risen by 3% from 518,000 at November 30, 2017. As we look to close December and the end of the year, our ambition is to surpass the milestones of 250,000 litters and 575,000 dogs. We will have now marked 5 consecutive years of non-declining volumes and the AKC has not recognized these peak volumes in almost a decade. Congratulations to an all-inclusive effort from multiple AKC departments with focus and dedication for achieving success!

Let's measure our Major Revenue Sources Year To Date. Registration related items. Specifically, Dogs. We have recorded an additional \$1.3 million in revenue this year which is an 8.7% increase from 2017. Our Litter Revenue increase of \$297,000 dollars also reflects a successful 4% surge. The Canine Partners listings program has displayed an increase of \$169,000 or 21% over the 11 months of 2018. Outside of Registrations, our next largest areas of revenue increases include a number of various programs throughout the organization: Ecommerce programs by \$207,000, Marketplace Revenue by \$184,000, Good Dog Helpline by \$110,000, our CGC / Trick Dog Program by \$566,000 and Affiliate royalties by \$464,000.

Let's convert to our year to date analysis of Expenses. Year over Year – our total costs have risen by \$4.7 million or 7.9%.

In evaluating our major expense increases year to date, total Payroll and Benefits of \$31.7 million represents a \$338 thousand dollar increase or 1% from this same comparative period in 2017. Our current Full Time Equivalent Headcount is 350, which has increased by 3.5% from 338 at November 30, 2017. Also, coinciding with an increase to headcount, has been an increase in our Consulting costs. We have spent \$2.9 million in total year to date, which is a 17% increase or \$432,000. Areas that have impacted this increase include AKC Productions, Marketing, Fundraising, as well as financial software systems. Contributions are significantly higher at this same comparative period last year by \$607,000. This includes our Therio grant support along with AKC Canine Health Foundation matching gifts. Next, we have reflected an additional current year rent expense in 2018 as a component of our lease buyout and relocation of the AKC New York office. Lastly, our service fee costs have risen mainly due to our re-pointing of our amazon web technology services to a cloud fit program and the year to date progress in that schedule.

Aside from operating results analysis, we'll briefly view the investment portfolio results as well. For the 11-month period ending November 30, 2018, our portfolio has unrealized losses of \$314,000. Financial markets have been extremely volatile over the past quarter and there is an expectation that it could very well continue through a reasonable portion of 2019. The

portfolio is reflecting a 25 basis point loss for the year. Now although this downward market is not a scenario we were planning for, we are pleased that we are currently outperforming our benchmark of -1.8%. Some of our fixed income components of the portfolio are protecting our performance in the current light of unstable equity markets.

The Balance Sheet of the AKC still displays plenty of financial strength. We are at \$166.3 million in Total Assets, a slight increase of nearly 1% and \$1.3 million dollars. Our Total Liabilities of \$74 million have increased by 4% and \$2.7 million over the past year. Although we have a minor short term increase in accounts payable which is solely due to year over year timing differences, the majority of our liabilities are over a long term period and include almost \$66 million dollars in pension and post retirement benefits which have also slightly increased from last year. Overall, our total net assets of \$92.3 million dollars still manifests plenty of depth for our financial picture ahead. Thank You everyone on the Board, Management and Staff, and the Delegate Body for contributing to AKC's outstanding achievements in 2018!

I look forward to providing you a full year report on 2018 at our next meeting in March. I wish to everyone a memorable time here in Orlando and a triumphant 2019 ahead! Happy Holidays and Happy New Year !