

May 2018 Financial Performance Report



June 2018 Delegates' Meeting

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

	2018	2017
REVENUES	\$31,177	\$29,156
EXPENSES	29,543	25,745
OPERATING INCOME	\$1,634	\$3,411

**CORE REGISTRATION VOLUMES
YTD COMPARISON
AS OF MAY 31,**

2018:

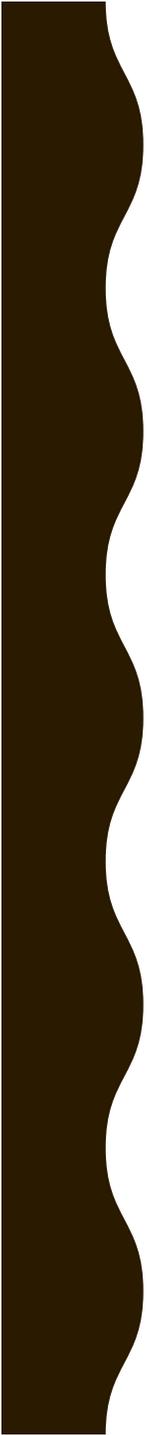
Litters 104,083 +6%

Dogs 255,886 +5%

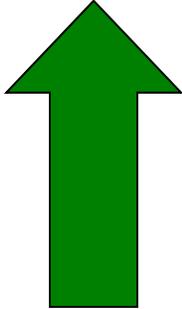
2017:

Litters 98,206

Dogs 243,372



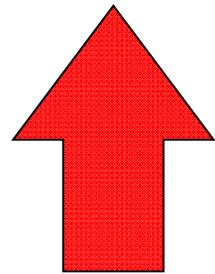
**TOTAL REVENUES
YTD COMPARISON
AS OF MAY 31,**

 **\$2.0**
million (7%)

YTD REVENUE INCREASES

- **Registrations / Dogs** **\$896,000**
- **Royalties/Sponsors** **\$720,000**
- **Canine Good Citizen** **\$497,000**
- **Registrations / Litters** **\$191,000**

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



**\$3.8
million**

YTD EXPENSE INCREASES

- **Payroll and benefits** **\$1.5 million**
- **Consulting** **\$696,000**
- **Marketing** **\$623,000**
- **CHF Contributions** **\$348,000**

INVESTMENT PERFORMANCE FOR FIVE MONTHS ENDED MAY 2018

- **Investment gains \$88,000**
- **Investment return 0.21%**
- **Benchmark for AKC's
combined portfolio
0.98%**

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

	2018	2017
TOTAL ASSETS	\$171.7	\$151.8
TOTAL LIABILITIES	\$77.3	\$68.5

UNRESTRICTED NET ASSETS
YTD COMPARISON
AS OF MAY 31,
(in Millions)

	2018	2017
Operating Reserve	\$38.0	\$35.8
Property and equipment	10.7	9.2
Funding status of postretirement plans	(65.0)	(65.1)
Board-designated for Long-term purposes	110.7	103.3
Total unrestricted net assets	\$94.4	\$83.2

(Slide 1) Good morning to you, The AKC Delegate Body! For those of you that have been involved and attended the activities over the past couple of days, we hope everything has been informative and productive! I am confident that my presentation here will be more of the same, and as a reminder to you, we will have this posted to the AKC Delegates' portal by the end of tomorrow.

(Slide 2) Let us begin with an overview of Revenue and Expenses through the end of May. Our income statement reflects \$31.1 million dollars in Total Revenue and \$29.5 million dollars in Total Expenses. For an Operating Income of just over \$1.6 million dollars. During the first five months of the 2017 year, we recorded \$29.1 million in revenue with \$25.7 million in expenses for \$3.4 million dollars of operating income.

(Slide 3) From our overview, now to our Core. Let's observe our core operations, Registrations. Our volumes of Dogs and Litters have increased phenomenally over last year. They are continuing a trend up for the fourth consecutive year. Litters registered to date are 104,083, up a whopping 6% from the 98,000 level in May 2017. Next, year to date Dogs are just shy of 256,000, which is a 13,500 volume increase, or 5% from the same period last year. This also follows the trend for which individual dog registrations are up for the fifth consecutive

year. Continued amazing results from an amazing staff supporting the registry and mission of the AKC.

(Slide 4) Focusing next on the revenue side of our operations, we comparatively showcase a \$2.0 million dollar increase in total revenues as of the five months ended May 31.

Subsequently, we can drill down into this 7% increase.

(Slide 5) The largest revenue increase is that of Dog Registrations, to the tune of \$896,000. This 13% increase is derived from a combination of both the previously stated 5% volume increase along with the positive financial impact of a paper surcharge. Our Royalties and Sponsors income is up by \$720,000 or nearly 58%. Our affiliates operations, as well as our licensing partners have attributed the most to this line item's success. Our Canine Good Citizen program has excelled in 2018 to reflect an additional \$497,000 in income. Our 4th most successful revenue year to date is that of our Litters, garnering an increase in added revenue of \$191,000. This coincides directly with the efforts we have put forth to drive our volumes up by 6%. We are pleased with a 7% increase to our overall revenue, however we want to strive to enhance our program revenues even further than we have to-date.

(Slide 6) Transitioning to expenses, over the first five months of this year, our costs have risen by \$3.8 million dollars. There

are a number of contributing factors to this 14% increase, so let's analyze further.

(Slide 7) First off, Payroll and Benefits. Which as a whole represents nearly 50% of our overall operating budget and has now increased by \$1.5 million dollars for 2018 in comparison to the first five months of 2017. Our current headcount of 338, represents a 9% increase (or 28 positions) from our total staff level at this same time last year. Our Consulting costs have increased by \$696,000 in a year over year comparison. A number of functions and programs throughout the organization have contributed to this increase, including, our AKC.TV efforts, our NY office Relocation activities, our communications and public relations movements, our fundraising programs, and our technology team. Next, our Marketing costs have increased by \$623,000 in these 5 months of 2018 focusing on Registration programs, Sports and Events, as well as Purebred Dog Consumer Demand efforts. Also, our contributions provided to the successful programs of the AKC Canine Health Foundation have increased by \$348,000 so far this year. We are productively controlling our costs throughout the remaining balance of this fiscal year without negative impact to our programs and all of our customers and constituents.

(Slide 8) Our investment performance year to date has slightly underperformed our expected benchmark, and has been rather mundane to some of the successes that we have achieved in previous years. Our year to date gain is \$88,000 or 21 basis points, which represents a 77 basis point miscue of our benchmark. We do have full confidence that our investment management team will be able to rebound from this minor year to date underperformance and have complete success during the remainder of our fiscal year.

(Slide 9) Our balance sheet signifies the strength of our organization. As of May 31, we are reflecting \$171.7 million in Total Assets with \$77.3 million in Total Liabilities. As we can see here, these are both significant multimillion dollar increases over the prior year. The difference between our Total Assets and Total Liabilities are our Unrestricted Net Assets. Let's lastly take a review of the composition of those Unrestricted Net Assets.

(Slide 10) Our operating reserve of \$38 million dollars solidifies the continuity of our business operations if there were a significant emergency. Our investment in our property, plant and equipment of \$10.7 million represents our technology equipment, furniture, fixtures and leasehold improvements amongst other items in both our New York headquarters and our North Carolina operational facility. The

underfunded status of \$65 million dollars for our pension and postretirement plans represents the shortfall from our long term liabilities to these plans. We have taken measures to control as much as possible within the plans for the short term, however a reasonably significant shift in market interest rates will be the triumphant factor to reduce this underfunded status over a longer period of time. Lastly, the \$110.7 million of our AKC board-designated funds allows us to make long term decisions which will continue to help us succeed in supporting our mission, along with certain non-core opportunities as well.

Again, the full deck that I've briefed here will be available on the portal tomorrow for you to communicate to your clubs, and if there are any questions, please feel free to contact me. May we all have a safe and great day!