

**Good morning to you, The AKC Delegate Body! It is with great privilege and pleasure that I present to you our financial results through April 30<sup>th</sup>. It has been an efficient and productive first four months of our fiscal year and I am confident that we will be able to continue our successes moving forward through the remaining balance of 2019. Let's begin with a Summary of Revenue and Expenses. Our income statement reflects just under \$25.7 million dollars in Total Revenue and \$23.8 million dollars in Total Expenses. For an impressive Operating Income of \$1.78 million dollars. During the first four months of the 2018 year, we recorded \$25.1 million in revenue with \$24.3 million in expenses for \$819,000 dollars of operating income. From our summary, now let's reflect on our Core Registration volumes. We continue with positive upward trends for both Litters and Dogs at a 3% and 2% mark, respectively! Thanks go to all our remarkable staff supporting the registry and mission of the AKC.**

**Focusing next on the revenue side of our operational equation, we are representing a \$555,000 thousand dollar increase in total revenues as of the four months ended April 30. Subsequently, we can drill down into this 2.2% increase.**

**With a concentrated and targeted focus from our Board of Directors and executive management, our Registration**

**programs are succeeding. Most particularly, Dogs, Litters and Pedigrees have each had positive variances of approximately \$200,000 this year to date over prior year results. Also, our core concentration of Sports and Events have been highly successful to-date this year. Outperforming last year's revenue results by approximately \$347,000 dollars. Registrations and Sports and Events is what we do! And in 2019, we're continuing to doing it Right!**

**Transitioning to the expenses side of the equation, we have controlled our costs this year by \$414,000 dollars in comparison to the period ended April 30, 2018. There are a handful of contributing factors to this 1.7% favorable decrease, so let's further evaluate.**

**First off, Payroll and Benefits. Our current full-time equivalent headcount of 354, has increased by 4% since last year, however we have been able to decrease our payroll and associated benefit costs by \$151,000 dollars in 2019 measured against 2018 levels. Next, our Consulting costs have decreased by \$515,000 in a year over year comparison. Several functions and programs throughout the organization have contributed to the year to date decrease, including our NY office Relocation activities from 2018, along with the timing of some of our marketing and technology efforts this year. Next, our Equipment Maintenance and Rental costs**

have dropped by \$129,000 or more than 30% in comparison to the same period last year. This can be attributed mainly to our purchasing efforts and technology operations team working hard to negotiate favorable maintenance contracts for services and equipment. Lastly, our postage costs have decreased by \$75,000, or almost 8%, below last year's level at this time. We regularly conduct internal reviews of our division level spending and we expect to closely monitor our costs through the remainder of 2019.

Observing our financial results independent of our operating activities, we can note our investment performance year to date has presented significant unrealized gains. The portfolio had a 10.7% rate of return in the first four months of 2019, which valued at approximately \$10.8 million dollars, and outperformed our benchmark for the period by a full 100 basis points.

Our balance sheet indicates the long-term fiscal power of our organization. As of April 30, we are exhibiting Total Assets of \$180.0 million, with \$109.7 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 take a deeper dive into the composition of those Unrestricted Net Assets.

**Our operating reserve of just under \$42 million represents approximately 50% of our operating budget while solidifying the functioning continuity of our business if there were a significant disaster impacting our capabilities to operate the organization for an extended period of time. Our investment in our property, plant and equipment of \$25.4 million represents the value of our technology equipment, furniture, fixtures and leasehold improvements. You'll note this has increased significantly by more than \$15 million since 2018 due to the completion of our new headquarters at 101 Park Avenue in New York, along with completed renovations to our operations facility in Raleigh, North Carolina. The underfunded status of \$60.5 million dollars for our pension and postretirement plans represents the combined shortfall from our long-term liabilities to these benefit plans. Lastly, the \$63.4 million of our AKC board-designated funds allows us to make long term decisions which will continue to help us succeed in supporting our core mission.**

**This complete deck which I've presented to you here will be available on the delegates portal by close of business tomorrow for you to communicate to your clubs. Also, if there are any questions, please note my email address and feel free to contact me. Have a wonderful summer season and we'll see you again in September! May we all have a safe and great day!**

# April 2019 Financial Performance Report



## June 2019 Delegates' Meeting



## REVENUE & EXPENSE SUMMARY AS OF APRIL 30, *(IN THOUSANDS)*

	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>	<b>\$25,667</b>	<b>\$25,112</b>
<b>EXPENSES</b>	<b>23,879</b>	<b>24,293</b>
<b>OPERATING INCOME</b>	<b>\$1,788</b>	<b>\$819</b>



# CORE REGISTRATION VOLUMES YTD COMPARISON AS OF APRIL 30,

## 2019:

Litters	85,797	+3%
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Dogs	213,102	+2%
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## 2018:

Litters	82,920
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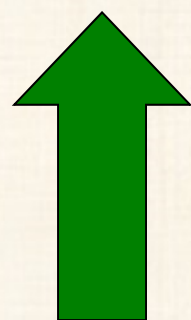
Dogs	209,021
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# TOTAL REVENUES YTD COMPARISON AS OF APRIL 30,

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**\$555,000**  
**(2.2%)**





## YTD REVENUE VARIANCES

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- **Reg - Dogs** **\$192,000**
- **Reg - Litters** **\$203,000**
- **Reg - Pedigrees** **\$188,000**
- **Sports and Events** **\$347,000**



# TOTAL EXPENSES YTD COMPARISON AS OF APRIL 30,

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 **\$414,000**  
**(1.7%)**



## YTD EXPENSE VARIANCES

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- **Payroll and benefits**      **\$151,000**
- **Consulting**                      **\$515,000**
- **Equipment maint.**              **\$129,000**
- **Postage costs**                      **\$75,000**



## **INVESTMENT PERFORMANCE FOR FOUR MONTHS ENDED APRIL 30**

- **Investment gains     \$10,845,000**
- **Investment return             10.7%**
- **Benchmark for AKC's  
combined portfolio             9.7%**





# AKC BALANCE SHEET YTD 2019 vs. 2018

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	2019	2018
<b>TOTAL ASSETS</b>	<b>\$180,013</b>	<b>\$164,547</b>
<b>TOTAL LIABILITIES</b>	<b>\$109,736</b>	<b>\$75,691</b>



# UNRESTRICTED NET ASSETS YTD COMPARISON AS OF APRIL 30, (in Millions)

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	2019	2018
Operating Reserve	\$41.9	\$38.8
Property and equipment	25.4	9.9
Funding status of postretirement plans	(60.5)	(62.6)
Board-designated for Long-term purposes	63.4	99.9
<b>Total unrestricted net assets</b>	<b>\$70.2</b>	<b>\$85.9</b>

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**Have a safe and great day!**



**[Joe.Baffuto@akc.org](mailto:Joe.Baffuto@akc.org)**