

# Association of Graduates - U.S. Air Force Academy

## Operating Statement of Activities

FY 2010 Budget vs. FY 2009 Projection

	<u>Budget</u>	<u>Projection</u>
Revenues		
Donations and Contributions	\$2,297,283	\$2,010,650
Membership Dues	995,892	952,882
Merchandising	233,045	227,473
Member Services	12,075	10,892
Advertising and Sponsorships	106,841	79,630
Reunion Services	154,000	159,435
Administration Fees	54,870	59,105
Conferences	233,400	234,652
Royalties	158,970	155,828
Football Tickets and Tailgates	36,700	27,319
Activities and Social Events	106,825	100,740
Miscellaneous Income	4,395	9,302
Transfers	180,000	293,000
Total Revenues	<u>4,574,296</u>	<u>4,320,908</u>
Operating Expenses		
Salaries and Wages	1,832,405	2,082,942
Payroll Taxes	146,379	156,089
Benefits	159,504	158,100
Grants	250,000	269,696
Professional Services	362,522	324,990
Professional Printing	283,834	315,256
Postage and Shipping	215,822	192,349
Merchandise Cost of Sales	141,129	129,755
Insurance and Bonding	42,630	66,839
Employee Travel and Meals	103,396	78,685
Social Events and Meetings	107,605	92,360
Office Supplies	37,753	28,250
Donor Recognition Expenses	10,108	8,530
Advertising and Corporate Promotion	24,000	36,670
Office Expenses	117,324	131,137
Bad Debt Expense	150,000	475,000
Employee Training and Education	39,545	8,720
Facilities Expenses	171,365	147,751
Depreciation and Amortization	372,000	355,000
Total Operating Expenses	<u>4,567,321</u>	<u>5,058,119</u>
<b>OPERATING SURPLUS/(DEFICIT)</b>	6,975	(737,211)
Other Income and Deductions		
Investment Income	<u>60,000</u>	<u>(3,120,000)</u>
Total Other Income and Deductions	<u>60,000</u>	<u>(3,120,000)</u>
<b>NET SURPLUS/(DEFICIT)</b>	<u><b>\$66,975</b></u>	<u><b>(\$3,857,211)</b></u>
<b>CAPITAL PURCHASES</b>	<u><b>\$166,000</b></u>	<u><b>\$186,000</b></u>

# Highlights of the FY 2010 Operating Budget

## Overview

- Gross Operating Revenue: \$4.574 million, versus a projected \$4.321 million for FY 2009 (GAAP basis). Increase of \$253,388 or 5.9%
- Total Operating Expenses: \$4.567 million, a decrease of \$490,798 from the FY 2009 projection or 9.7%
- Total Positive Income Swing of \$744,186 from FY 2009 Projection.
- Operating Surplus: approximately \$7,000
- Investment Income: \$60,000
- Net Surplus: \$67,000
- Capital Expenditures: approximately \$166,000. Actual spend TBD by CEO.

## Operating Revenues

- **Donations and Contributions** of approximately \$2.3 million include new anticipated major gift pledges of about \$230,000, a modest increase of one-time gifts, and relatively flat matching gifts from FY 2009, as the general economy is expected to still have an impact on corporate matching programs.
- **Annual Memberships** and transfer from the **Life Membership Fund** (approximately \$720,000) is budgeted to increase only slightly from FY 2009.
- **Merchandise** sales of \$230,000 are expected to remain relatively flat
- A stronger push for **Advertising and Sponsorships** is budgeted to yield about \$107,000 in revenue next year.
- Administrative fees for **Reunion Services** is expected to remain relatively flat
- **Administration Fees** for management of the investment portfolio should increase slightly as market values are expected to begin to recover toward the end of the calendar year and in 2010.
- **Royalty** programs are anticipated to remain strong through FY 2010, while new affinity programs are considered.
- The Navy **Tailgate** is expected to garner much more attendance next year as opposed to this year's Army football game.
- **Activities & Social Event** income, including rental of the building, is expected to increase about 6% in FY 2010. There are currently 21 confirmed rentals.
- **Transfers** – the repayments from restricted funds to the Annual Fund for money used for the Memorial Pavilion – is expected to be about \$180,000, as the outstanding pledges are received from members of the four classes who received naming rights for sections of the Pavilion.

## Operating Expenses

- **Salaries and Wages** for the 2010 fiscal year reflect no increases, but full staffing to continue meeting the needs of the organization. The \$1.832 million budget is about \$251,000 below the projected salary and wages for end of year 2009, and includes 37.75 full time equivalent employees (FTEs).
- The **Payroll Taxes**' budget reflects the company expense from the salaries and wage base.
- The \$160,000 **Benefits**' budget includes expected small increases in workers compensation insurance, medical, dental and vision coverage, long-term disability, and accidental death and disability. The 401k safe harbor and matching program for eligible employees is estimated at about \$54,000 of the total budget.
- Unrestricted **Grants** planned to be given to the Academy in FY 2010 are expected to be \$250,000. It is expected that a substantial portion of the gift will be offered to the Superintendent as a pool, excluding those functions that the AOG typically funds annually, as was done in FY 2009.
- **Professional Services** budget includes auditors' fees (\$24k), attorneys' fees (\$2k), web hosting for *ZoomieNation* (\$11k), and a \$25,000 contingency for advancing partnering efforts. The balance of the budget reflects the ongoing research and calling campaigns from RuffaloCody for the Annual Fund and other development efforts. It also includes expenditures for major new initiatives for gift solicitation.
- The **Professional Printing** budget of \$216,000 for FY 2010 includes the expected costs for the publications the AOG produces: *Checkpoints* magazine, the Parent Handbook, and a contingency for the *Contrails* book. The printing of *Checkpoints* has been reduced by about \$14,000 per issue, or \$56,000 in total, below the previous year. The remainder of the professional printing budget is allocated to the Annual Fund, other development initiatives and departmental expenses.
- The \$216,000 budget for **Postage and Shipping** reflects anticipated increases in postal rates and overnight charges. The budget includes costs associated with new development initiatives, as well as a concerted stewardship campaign.
- **Merchandise** cost of sales, including use of the FIFO method for inventory items, is expected to be about 60%.
- Our **Insurance and Bond** coverage costs (Directors and Officers, Auto, Crime, Umbrella, Commercial Liability, and Property) were significantly reduced with the renewals negotiated in February. The budget includes a slight escalation for the next renewal year beginning in April 2010.

- **Employee Travel and Meals** for FY 2010 are expected to increase from the current year because of a renewed emphasis on major gift giving in the next fiscal year.
- Slight increases in the cost of catering services have been included in the **Social Events and Meetings** budget of \$108,000 for FY 2010.
- General increases in the cost of **Office Supplies** reflect the estimated budget of \$38,000.
- The \$24,000 budget for **Advertising and Corporate Promotion** reflects costs that would be associated with the launching of new affinity programs.
- The **Office Expenses**' budget includes expenditures for items such as licenses and memberships (including Mountain States Employers Council), subscription and publications, copier service, bar beverages and supplies, and other minor miscellaneous expenses. The AOG staff will always attempt to control costs in these areas.
- The \$150,000 **Bad Debts** expense is an estimate of possible write offs of pledges that would not have been included in the final FY 2009 financial statements.
- The significant budget for **Employee Training and Education** reflects the fact that education expenditures were curtailed in FY 2009 due to budget concerns.
- An FY 2010 budget of \$171,000 for the **Facilities Expense** reflects the normal expenses incurred for the upkeep of Doolittle Hall and includes utilities, repairs and maintenance services.
- The **Depreciation** expense that is budgeted takes into account the requested capital expenditures, amortized or depreciated over the new assets' useful lives.

### **Other Income and Deductions**

- The AOG is anticipating that general market conditions will begin to stabilize in the first and second quarter of the new fiscal year, and then begin to turnaround with a minor uptick in the third and fourth quarters. As such, we have budgeted the impact to operations to be a slight surplus from investment results. The components include \$3,000 of bank interest, about \$222,000 of interest and dividends, minimal realized gains from sales of \$65,000, and unrealized market losses of \$220,000. Including the AOG's portion of allocated management fees from our advisors yields a minor surplus of \$60,000.

### **Capital Expenditures**

The following capital expenditures will be considered for approval by the CEO as circumstances dictate:

1. Triennial replacement of computers/software - \$59,000
2. All-Terrain Vehicle for grounds maintenance - \$20,200
3. Complete building repaint - \$18,450
4. Skylights frame repaint - \$4,950
5. Gift Shop glass enclosure - \$7,317
6. New carpeting in the Gift Shop (if enclosed) - \$1,500
7. DTE recorder for Communications - \$1,700
8. New camera equipment/lenses - \$600
9. Re-cement area around the flagpole - \$2,000
10. Granite face at Doolittle entryway - \$43,800
11. Granite face beneath Doolittle signage - \$6,500

Total \$166,017