NATIONAL ASSOCIATION OF COLLEGE STORES

Statement of Financial Position

Years ended March 31, 2010 and March 31, 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,697	$ -
Marketable securities	5,624,115	4,264,097
Receivables:		
Trade, net	146,457	179,972
Other	75,142	70,171
NACSCORP	83,201	34,815
NACS Foundation	499,444	451,834
Inventories	56,281	63,280
Deferred tax asset	174,154	76,449
Prepaid expenses and other current assets	130,436	132,235
Total current assets	6,794,927	5,272,853
INVESTMENTS		
NACSCORP	2,992,308	2,601,762
PartnerShip	1,075,487	958,466
NACS Media Solutions	(15,246)	66,911
PROPERTY, BUILDING AND EQUIPMENT		
Land and land improvements	257,893	192,015
Building and building improvements	3,101,895	2,987,994
Furniture/equipment	564,562	559,640
Technology	1,294,150	1,262,901
	5,218,500	5,002,550
Less accumulated depreciation and amortization	(3,000,611)	(2,738,880)
	2,217,889	2,263,670
TOTAL ASSETS	$13,065,365	$11,163,662
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	311,430	479,576
Current portion of long-term debt	70,000	70,000
Payables:		
Trade and publishers	1,266,712	1,212,958
Accrued wages and payroll taxes	696,784	624,377
Other accrued liabilities	568,173	750,800
Deferred income	914,343	1,097,522
Total current liabilities	3,827,442	4,235,233
Long-term debt, less current portion	408,333	478,333
Deferred tax liability	351,471	447,905
TOTAL LIABILITIES	4,587,246	5,161,471
NET ASSETS		
Unrestricted net assets:		
Undesignated	3,962,635	1,564,101
Designated by the Board of Trustees	4,000,000	4,000,000
Designated by Member Interest Groups	515,484	438,090
TOTAL NET ASSETS	8,478,119	6,002,191
TOTAL LIABILITIES AND NET ASSET	$13,065,365	$11,163,662

An audit of NACS, Inc. was performed by the independent accounting firm of Maloney & Novotny. The financial information disclosed here has been extracted from the NACS, Inc. and Subsidiaries consolidated financial statements covered by the Report of the Independent Certified Public Accountants dated June 10, 2010, for the year ended March 31, 2010, in which an unqualified opinion was given. A copy of the full audit report is available upon request from NACS.

On a consolidated financial basis, NACS' change in net assets before other net gains (losses) on marketable securities and income taxes was $3.2 million, which compares with the prior year's $2.5 million.

The core association operations, which provide ongoing member services and programs, exceeded budget expectations and generated a surplus. This was once again led by PartnerShip income, which continues to exhibit exceptional growth from its Select Services program, and a successful CAMEX, which was held in Orlando, FL. In addition, I am pleased to report that NACSCORP experienced its eighth consecutive year of profitability with an increase over the prior year!

Total assets of NACS, Inc. stand at $39.4 million as of March 31, 2010, vs. $37.8 million at March 31, 2009.

This solid financial performance has enabled NACS to make several significant investments that will yield improved service to members and industry and operational savings to the organization. Examples of these are:

- NACS and the NACS Foundation worked to research, define and promulgate the college store of 2015.
- NACS Media Solutions LLC continued to explore ways members can compete in the digital course material and print-on-demand marketplace.
- Government relations helped college stores understand and implement the Higher Education Opportunity Act while working with members to access grants to begin a textbook rental program. Additionally, they partnered with the IRS to launch textbookaid.org to promote the American Opportunity Tax Credit.
- Launched a targeted Public Affairs Campaign aimed at influencing key decision makers in the public policy arena.

Despite a challenging economy, we are projecting another operating surplus for NACS' core operations and its subsidiaries for fiscal 2011. This will ensure a financially sound association that can continue to maintain and grow important member services.

Frank J. Sulen, CPA
Chief Financial Officer

NATIONAL ASSOCIATION OF COLLEGE STORES

Statement of Activities

Years ended March 31, 2010 and March 31, 2009

	2010	2009
GROSS REVENUES AND OTHER SUPPORT		
Product sales and services	$ 360,302	$ 356,571
Membership dues	1,744,124	1,740,186
Meetings, expositions and educational programs	5,077,664	5,024,896
Publications/advertising	655,949	642,997
Investment income	106,793	139,292
Management fee - NACS Foundation	290,507	266,887
Miscellaneous income	15,000	13,103
Total net revenues and other support	8,250,339	8,183,932
EXPENSES		
Cost of products and services sold	399,999	428,215
Membership services	1,847,660	1,742,564
Meetings, expositions and educational programs	3,622,829	3,868,952
Publications/advertising	848,405	907,111
NACS Foundation expense	290,507	266,887
Selling, general and administrative	1,015,944	1,001,277
Depreciation and amortization	268,159	250,412
Governance	569,768	643,897
Public relations/advocacy	827,854	765,279
Interest	31,762	38,917
Total expenses	9,722,887	9,913,511
CHANGE IN NET ASSETS BEFORE OTHER, AND GAINS ON MARKETABLE SECURITIES	(1,472,548)	(1,729,579)
Contribution to NACS Foundation	(400,000)	(304,000)
Net realized and unrealized gains on marketable securities	1,298,459	(1,739,637)
	898,459	(2,043,637)
CHANGE IN NET ASSETS BEFORE EQUITY EARNINGS, AND TAXES	(574,089)	(3,773,216)
Equity earnings of NACSCORP	390,546	110,118
Equity earnings of PartnerShip	4,724,791	4,454,133
Equity earnings of NACS Media Solutions	(554,543)	(484,845)
CHANGE IN NET ASSETS BEFORE TAXES	3,986,705	306,190
Federal income tax provisions	(1,510,777)	(1,372,927)
CHANGE IN NET ASSETS AFTER TAXES	2,475,928	(1,066,737)
UNRESTRICTED NET ASSETS – END OF YEAR	$8,478,119	$6,002,191

NATIONAL ASSOCIATION OF COLLEGE STORES

Statement of Cash Flow

Years ended March 31, 2010 and March 31, 2009

	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	$(2,084,866)	(5,146,143)
Adjustments to reconcile change in net assets before equity earnings and distributions to net cash (used for) provided by operating activities:		
Depreciation and amortization	268,159	250,412
Deferred income taxes	(194,142)	(42,546)
Net realized and unrealized gains on marketable securities	(1,298,459)	1,739,637
Amortization of gain on sale of warehouse and office building		(13,108)
Changes in operating assets and liabilities:		
Trade receivables, net	33,515	96,035
Other receivables	(4,971)	(27,467)
NACS Foundation receivable/payable	(47,610)	(96,556)
Inventories	6,999	(5,463)
Prepaid expenses and other current assets	1,799	(17,915)
Trade and publishers payables	53,754	97,509
NACSCORP receivable/payable	(48,386)	(85,554)
Accrued wages and payroll taxes	72,407	89,421
Other accrued liabilities	(182,627)	210,964
Deferred income	(183,179)	(303,076)
Net cash (used for) provided by operating activities	(3,607,607)	(3,253,850)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures and transfers, net	(222,378)	(377,504)
Marketable securities, net of purchases	(61,556)	(110,284)
Net cash (used for) provided by investing activities	(283,934)	(487,788)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payments) borrowings on line of credit	(168,146)	199,914
Payments on long-term debt	(70,000)	(70,000)
(Payments on) proceeds from capital distribution	(472,386)	(551,756)
Proceeds from (payments on) capital distribution	4,607,770	4,163,480
Net cash provided by (used for) financing activities	3,897,238	3,741,638
INCREASE IN CASH AND CASH EQUIVALENTS	5,697	-
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS – END OF YEAR	$5,697	-
Supplemental Disclosures:		
Cash paid during the year for:		
Income taxes	$1,681,124	1,034,335
Interest	$31,762	38,917