

NATIONAL ASSOCIATION OF COLLEGE STORES

Statements of Financial Position

Years ended March 31, 2008 and March 31, 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Marketable securities	5,893,450	5,660,791
Receivables-		
Trade, net	276,007	342,854
Other	42,704	100,086
NACS Foundation	355,278	199,034
Inventories	57,817	84,069
Deferred tax asset	56,747	—
Prepaid expenses and other current assets	114,320	138,938
Total current assets	6,796,323	6,525,772
INVESTMENTS:		
NACSCORP	2,491,644	2,674,815
PartnerShip	667,813	628,171
PROPERTY, BUILDING AND EQUIPMENT:		
Land and land improvements	192,015	192,015
Building and building improvements	2,736,828	2,527,007
Equipment	1,696,203	1,743,388
	\$4,625,046	\$4,462,410
Less-accumulated depreciation and amortization	(2,488,468)	(2,317,882)
	2,136,578	2,144,528
TOTAL ASSETS	\$ 12,092,358	11,973,286
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Line of credit and notes payable	\$279,662	\$233,547
Current portion of long-term debt	\$70,000	\$70,000
Payables:		
Trade and publishers	1,115,449	1,284,169
NACSCORP	50,739	176,760
Accrued wages and payroll taxes	534,956	472,149
Other accrued liabilities	539,836	600,629
Deferred tax liability-current	—	82,369
Deferred Income	1,400,598	1,085,960
Total current liabilities	3,991,240	4,005,583
Deferred gain on sale of warehouse	13,108	55,108
Long-term debt, less current portion	548,333	618,333
Deferred tax liability	470,749	413,337
TOTAL LIABILITIES	\$ 5,023,430	5,092,361
 NET ASSETS		
Unrestricted net assets		
Undesignated	2,741,108	2,577,056
Designated by the Board of Trustees	4,000,000	4,000,000
Designated by Member Interest Groups	327,820	303,869
Total unrestricted net assets	7,068,928	6,880,925
TOTAL LIABILITIES AND NET ASSETS	\$12,092,358	\$11,973,286

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 19, 2008, for the year ended March 31, 2008, 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 \$1.5 million, which compares with the prior year's \$1.6 million.

The core association operations, which provide ongoing member services and programs, exceeded budget expectations and generated a surplus. This was led by PartnerShip income, which exhibited exceptional growth from its Select Services program, and a record-setting CAMEX, which was held in San Antonio. In addition, I am pleased to report that NACSCORP had its fifth consecutive year of profitability aided by gains in its bargain book program and the successful launch of several new general merchandise marketing initiatives!

Total assets of NACS Inc. stand at \$34.8 million as of March 31, 2008, vs. \$34.2 million at March 31, 2007.

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

- A doubling of our internet bandwidth, which allows for faster access to internet-related services for all NACS members and will easily support expanded online educational offerings.
- An investment of nearly \$200,000 to replace NACS lighting systems with more efficient fixtures. This has already begun bearing dividends through a 20% savings in energy costs.
- Creation of a toolkit on the NACS web site that will help members communicate their value to various constituencies on their campuses.
- A sizeable investment to fund the startup of a new limited liability corporation. This NACS subsidiary is an exciting new initiative that will help member stores compete in the digital course materials delivery marketplace.

We are projecting another operating surplus for NACS' core operations and its subsidiaries for fiscal 2009. This will help ensure a financially healthy association in order to maintain and grow important member services as we look to the future.



Frank J. Sulen, CPA
Chief Financial Officer

NATIONAL ASSOCIATION OF COLLEGE STORES

Statements of Activities

Years Ended March 31, 2008 and March 31, 2007

	2008	2007
GROSS REVENUES, AND OTHER SUPPORT:		
Product sales and services	\$433,852	\$442,074
Membership dues	1,742,676	1,767,727
Meetings, expositions, and educational programs	4,965,295	4,996,823
Publications/advertising	753,901	806,298
Investment income	186,181	115,916
Management fee - NACS Foundation	276,359	205,416
Miscellaneous income	42,000	42,000
Total net revenues and other support	<u>8,400,264</u>	<u>8,376,254</u>
EXPENSES:		
Cost of products and services sold	499,647	487,173
Membership services	1,834,833	1,711,742
Meetings, expositions, and educational programs	3,833,514	4,149,140
Publications/advertising	1,013,155	1,031,249
NACS Foundation expense	276,359	205,416
Selling, general, and administrative	984,166	967,530
Governance	571,124	617,708
Public relations/advocacy	799,850	720,439
Interest	49,511	104,213
Total expenses	<u>9,862,159</u>	<u>9,994,610</u>
CHANGE IN NET ASSETS BEFORE OTHER, NET, GAINS (LOSSES) ON MARKETABLE SECURITIES AND INCOME TAXES	(1,461,895)	(1,618,356)
Contributions to NACS Foundation	(219,000)	(132,000)
Net realized and unrealized gains on marketable securities	(149,828)	25,699
	<u>(368,828)</u>	<u>(106,301)</u>
CHANGE IN NET ASSETS AND EQUITY BEFORE EQUITY EARNINGS, AND TAXES	(1,830,723)	(1,724,657)
Earnings of NACSCORP	123,248	56,777
Unrealized market value loss on NACSCORP rate swap	(306,419)	—
Equity earnings of PartnerShip	<u>3,490,716</u>	<u>2,784,130</u>
CHANGE IN NET ASSETS BEFORE TAXES	1,476,822	1,116,250
Federal income tax provision	<u>(1,288,819)</u>	<u>(936,604)</u>
CHANGE IN NET ASSETS AFTER TAXES	188,003	179,646
UNRESTRICTED NET ASSETS – BEGINNING OF YEAR	<u>6,880,925</u>	<u>6,701,279</u>
UNRESTRICTED NET ASSETS – END OF YEAR	<u>\$7,068,928</u>	<u>\$6,880,925</u>

NATIONAL ASSOCIATION OF COLLEGE STORES
Statements of Cash Flow

Years Ended March 31, 2008 and March 31, 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$(3,119,542)	\$(2,661,261)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	229,145	251,565
Deferred income taxes	(81,705)	196,626
Net realized and unrealized gains on marketable securities	149,828	(25,699)
Amortization of gain on sale of warehouse and office building	(42,000)	(42,000)
Changes in operating assets and liability:		
Trade receivables, net	66,847	(21,963)
Other receivables	57,382	(36,623)
Inventories	26,252	(13,394)
Prepaid expenses and other current assets	24,618	10,010
Other long-term assets	—	24,383
Trade and publisher payables	(168,720)	217,519
NACS Foundation receivable/payable	(156,244)	(67,531)
NACSCORP payable	(126,021)	71,027
Accrued wages and payroll taxes	62,807	45,941
Other accrued liabilities	(60,793)	(160,880)
Deferred income	314,638	(260,901)
Net cash provided by (used for) operating activities	(2,823,508)	(2,473,181)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, net	(221,194)	(76,993)
Marketable securities, net purchases	(382,487)	(208,356)
Net cash used for investing activities	(603,681)	(285,349)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings on line of credit	46,115	233,547
Net payments on long-term debt	(70,000)	(118,898)
Proceeds from (payments on) capital lease obligation	3,451,074	2,557,477
Net cash provided by (used for) financing activities	3,427,189	2,672,126
DECREASE IN CASH AND CASH EQUIVALENTS	—	(86,404)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	—	86,404
CASH AND CASH EQUIVALENTS – END OF YEAR	—	—
Supplemental Disclosures		
Cash paid during the year for:		
Income Taxes	\$1,257,657	\$835,838
Interest	\$49,511	\$104,213