



# Association of Governing Boards of Universities and Colleges and Affiliate

Consolidated Financial Statements  
(and supplemental material)  
Years Ended June 30, 2010 and 2009

Association of Governing Boards of  
Universities and Colleges and Affiliate

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Consolidated Financial Statements  
(and supplemental material)  
Years Ended June 30, 2010 and 2009

# Association of Governing Boards of Universities and Colleges and Affiliate

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## Independent Auditors' Report

To the Board of Directors  
**Association of Governing Boards  
of Universities and Colleges and Affiliate**  
Washington, D.C.

We have audited the accompanying consolidated statements of financial position of the **Association of Governing Boards of Universities and Colleges and Affiliate** (the Association) as of June 30, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the **Association of Governing Boards of Universities and Colleges and Affiliate** as of June 30, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, change in net assets, and cash flows of the individual organizations. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*BDO USA, LLP*

October 25, 2010

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**Consolidated  
Financial Statements**

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**Association of Governing Boards of Universities  
and Colleges and Affiliate**

**Consolidated Statements of Financial Position**

<i>June 30,</i>	2010	2009
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,495,522	\$ 1,727,333
Accounts receivable, net of allowance for uncollectible accounts of \$0 and \$20,678 as of June 30, 2010 and 2009, respectively	25,937	33,088
Contributions receivable, net	230,000	271,890
Publication inventory, net of allowance of \$22,143 and \$6,000 as of June 30, 2010 and 2009, respectively	256,719	260,097
Prepaid expenses	134,224	156,170
<b>Total current assets</b>	<b>3,142,402</b>	<b>2,448,578</b>
<b>Noncurrent assets</b>		
Property and equipment, net	1,139,118	1,231,935
Investments	6,391,709	6,265,135
Cash surrender value of life insurance policies	95,462	79,845
Deferred compensation investments	398,840	316,184
<b>Total noncurrent assets</b>	<b>8,025,129</b>	<b>7,893,099</b>
<b>Total assets</b>	<b>\$ 11,167,531</b>	<b>\$ 10,341,677</b>

*See accompanying independent auditors' report and notes to the consolidated financial statements.*

**Association of Governing Boards of Universities  
and Colleges and Affiliate**

**Consolidated Statements of Financial Position**

<i>June 30,</i>	2010	2009
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 195,390	\$ 77,353
Accrued annual leave	131,139	153,479
Deferred membership dues	2,324,910	2,146,790
Other deferred income	126,411	77,732
<b>Total current liabilities</b>	<b>2,777,850</b>	<b>2,455,354</b>
<b>Noncurrent liabilities</b>		
Deferred rent	1,108,266	1,034,427
Deferred compensation liability	398,840	316,184
<b>Total noncurrent liabilities</b>	<b>1,507,106</b>	<b>1,350,611</b>
<b>Total liabilities</b>	<b>4,284,956</b>	<b>3,805,965</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Unrestricted		
General fund	574,063	577,351
Quasi-endowment fund	5,365,292	4,611,070
Property and equipment fund	392,608	425,704
Appropriated fund	114,377	276,989
<b>Total unrestricted net assets</b>	<b>6,446,340</b>	<b>5,891,114</b>
Temporarily restricted	436,235	644,598
<b>Total net assets</b>	<b>6,882,575</b>	<b>6,535,712</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,167,531</b>	<b>\$ 10,341,677</b>

*See accompanying independent auditors' report and notes to the consolidated financial statements.*

**Association of Governing Boards of Universities  
and Colleges and Affiliate**

**Consolidated Statements of Activities**

*Year ended June 30, 2010*

	General Fund	Other Unrestricted Funds	Total Unrestricted	Temporarily Restricted	Total
<b>Revenue, Gains, and Other Support</b>					
Membership	\$ 4,382,840	\$ -	\$ 4,382,840	\$ -	\$ 4,382,840
Contributions and gifts	238,000	-	238,000	437,899	675,899
National conference	637,661	-	637,661	-	637,661
Net realized and unrealized gain on investments	26,974	545,976	572,950	-	572,950
Board education consulting services	564,750	-	564,750	-	564,750
Seminars and workshops	531,724	-	531,724	-	531,724
Publication sales	307,290	-	307,290	-	307,290
Center consulting services revenues/other income	163,535	(7,400)	156,135	-	156,135
Interest and dividends	29,166	113,943	143,109	268	143,377
Benchmarking services	81,388	-	81,388	-	81,388
Contributed services	-	-	-	67,000	67,000
Net assets released from restrictions: Satisfaction of purpose restrictions	713,530	-	713,530	(713,530)	-
<b>Total revenue, gains, and other support</b>	<b>7,676,858</b>	<b>652,519</b>	<b>8,329,377</b>	<b>(208,363)</b>	<b>8,121,014</b>
<b>Expenses</b>					
<b>Program services</b>					
Meetings, research, BECS, and benchmarking services	2,339,888	18,454	2,358,342	-	2,358,342
Publications	1,055,261	10,765	1,066,026	-	1,066,026
Grant programs	646,531	-	646,531	-	646,531
Center for public trusteeship and governance	325,041	110,049	435,090	-	435,090
Other unrestricted programs	-	41,718	41,718	-	41,718
<b>Total program services</b>	<b>4,366,721</b>	<b>180,986</b>	<b>4,547,707</b>	<b>-</b>	<b>4,547,707</b>
<b>Supporting services</b>					
Management and general	2,264,511	18,854	2,283,365	-	2,283,365
Member development	406,981	31,291	438,272	-	438,272
Fundraising	291,270	4,613	295,883	-	295,883
Marketing	206,361	2,563	208,924	-	208,924
<b>Total supporting services</b>	<b>3,169,123</b>	<b>57,321</b>	<b>3,226,444</b>	<b>-</b>	<b>3,226,444</b>
<b>Total expenses</b>	<b>7,535,844</b>	<b>238,307</b>	<b>7,774,151</b>	<b>-</b>	<b>7,774,151</b>
Change in net assets	141,014	414,212	555,226	(208,363)	346,863
Transfers	(144,302)	144,302	-	-	-
Net assets, beginning of year	577,351	5,313,763	5,891,114	644,598	6,535,712
<b>Net assets, end of year</b>	<b>\$ 574,063</b>	<b>\$ 5,872,277</b>	<b>\$ 6,446,340</b>	<b>\$ 436,235</b>	<b>\$ 6,882,575</b>

*See accompanying independent auditors' report and notes to the consolidated financial statements.*

**Association of Governing Boards of Universities  
and Colleges and Affiliate**

**Consolidated Statements of Activities**

*Year ended June 30, 2009*

	General Fund	Other Unrestricted Funds	Total Unrestricted	Temporarily Restricted	Total
<b>Revenue, Gains, and Other Support</b>					
Membership	\$ 4,215,993	\$ -	\$ 4,215,993	\$ -	\$ 4,215,993
Contributions and gifts	123,150	-	123,150	1,041,891	1,165,041
National conference	480,705	-	480,705	-	480,705
Net realized and unrealized gain (loss) on investments	19,479	(1,562,108)	(1,542,629)	-	(1,542,629)
Board education consulting services	930,923	-	930,923	-	930,923
Seminars and workshops	552,492	-	552,492	-	552,492
Publication sales	395,178	-	395,178	-	395,178
Center consulting services revenues/other income	212,984	-	212,984	-	212,984
Interest and dividends	64,029	274,041	338,070	1,564	339,634
Benchmarking services	108,429	-	108,429	-	108,429
Contributed services	-	-	-	65,250	65,250
Net assets released from restrictions: Satisfaction of purpose restrictions	837,672	-	837,672	(837,672)	-
<b>Total revenue, gains, and other support</b>	<b>7,941,034</b>	<b>(1,288,067)</b>	<b>6,652,967</b>	<b>271,033</b>	<b>6,924,000</b>
<b>Expenses</b>					
<b>Program services</b>					
Meetings, research, BECS, and benchmarking services	2,994,076	28,684	3,022,760	-	3,022,760
Publications	991,771	43,364	1,035,135	-	1,035,135
Grant programs	772,422	-	772,422	-	772,422
Center for public trusteeship and governance	362,872	107,973	470,845	-	470,845
Other unrestricted programs	-	95,356	95,356	-	95,356
<b>Total program services</b>	<b>5,121,141</b>	<b>275,377</b>	<b>5,396,518</b>	<b>-</b>	<b>5,396,518</b>
<b>Supporting services</b>					
Management and general	2,223,901	21,513	2,245,414	-	2,245,414
Member development	446,938	41,725	488,663	-	488,663
Fundraising	253,811	4,781	258,592	-	258,592
Marketing	148,336	4,303	152,639	-	152,639
<b>Total supporting services</b>	<b>3,072,986</b>	<b>72,322</b>	<b>3,145,308</b>	<b>-</b>	<b>3,145,308</b>
<b>Total expenses</b>	<b>8,194,127</b>	<b>347,699</b>	<b>8,541,826</b>	<b>-</b>	<b>8,541,826</b>
<b>Change in net assets</b>	<b>(253,093)</b>	<b>(1,635,766)</b>	<b>(1,888,859)</b>	<b>271,033</b>	<b>(1,617,826)</b>
Transfers	415,000	(415,000)	-	-	-
Net assets, beginning of year	415,444	7,364,529	7,779,973	373,565	8,153,538
<b>Net assets, end of year</b>	<b>\$ 577,351</b>	<b>\$ 5,313,763</b>	<b>\$ 5,891,114</b>	<b>\$ 644,598</b>	<b>\$ 6,535,712</b>

*See accompanying independent auditors' report and notes to the consolidated financial statements.*

# Association of Governing Boards of Universities and Colleges and Affiliate

## Consolidated Statements of Cash Flows

<i>Years ended June 30,</i>	2010	2009
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 346,863	\$ (1,617,826)
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</b>		
Depreciation and amortization	129,437	131,628
Allowance for obsolete inventory	16,143	6,000
Net realized and unrealized (gains) losses on investments	(572,950)	1,542,629
Recovery of uncollectible accounts	(20,678)	(8,672)
Loss on disposal of property and equipment	7,400	-
Decline in market value of deferred compensation investments	18,084	105,555
<b>(Increase) decrease in assets</b>		
Accounts receivable	27,829	171,865
Contributions receivable	41,890	(82,330)
Publication inventory	(12,765)	(9,963)
Prepaid expenses	21,946	(44,950)
<b>Increase (decrease) in liabilities</b>		
Accounts payable and accrued expenses	118,037	(20,785)
Accrued annual leave	(22,340)	22,627
Deferred membership dues	178,120	76,246
Other deferred income	48,679	8,980
Deferred rent	73,839	89,791
Deferred compensation liability	82,656	(4,815)
Postretirement benefit liability	-	(471,293)
<b>Net cash provided by (used in) operating activities</b>	<b>482,190</b>	<b>(105,313)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	552,500	315,000
Purchases of investments	(106,124)	(255,293)
Purchases of deferred compensation investments	(100,740)	(100,740)
Purchases of property and equipment	(44,020)	(25,271)
Proceeds from cash surrender value of life insurance	-	419,481
Premiums paid for life insurance policies	(15,617)	(7,200)
<b>Net cash provided by investing activities</b>	<b>285,999</b>	<b>345,977</b>
<b>Increase in cash and cash equivalents</b>	<b>768,189</b>	<b>240,664</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,727,333</b>	<b>1,486,669</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,495,522</b>	<b>\$ 1,727,333</b>

*See accompanying independent auditors' report and notes to the consolidated financial statements.*

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *General Information*

The Association of Governing Boards of Universities and Colleges (AGB) was founded in 1921 to serve public institutions. In 1964, AGB established an office in Washington, D.C. and became a national Association when its membership was opened to assist both public and private college and university governing boards.

AGB is dedicated to strengthening the performance of boards of public and private higher education. It advances the practice of citizen trusteeship that has distinguished American higher education for more than 350 years. By serving as a continuing education resource to trustees and boards and by contributing to effective working relationships between boards and chief executives, AGB seeks to strengthen the governance of higher educational institutions.

AGB recognizes its leadership responsibilities to its members and to a diverse system of higher education. AGB strongly believes in citizen control of our colleges and universities, rather than direct governmental control, and works to ensure that higher education remains a strong and vital national asset.

AGB membership consists of 1,215 boards serving public and private colleges and universities and public college and university foundations. Approximately 34,000 board members, presidents and other senior institutional officers are members.

AGB Search, LLC (AGB Search), a District of Columbia limited liability company, was established by AGB, on December 4, 2009, for the purpose of advancing education by assisting universities and colleges in undertaking successful searches and transitions of their presidents and other senior leaders. AGB contributed \$50,000 in capital and loaned \$357,500 to AGB Search in 2010 to support its operations.

#### *Consolidation Policy*

The accompanying consolidated financial statements include the accounts of AGB and its subsidiary, AGB Search, which is under common control of AGB. Collectively they are referred to as the Association. All material interorganization transactions and balances have been eliminated in consolidation.

#### *Basis of Accounting*

The consolidated financial statements of the Association have been prepared on the accrual basis of accounting.

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

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### *Cash and Cash Equivalents*

Cash and cash equivalents include operating cash accounts, petty cash and all liquid investments with original maturities of three months or less.

### *Accounts Receivable*

Accounts receivable consists primarily of amounts due from the sale of publications and conference and seminar registrations. The allowance method is used to determine the uncollectible amounts. The allowance is based upon prior years' experience and management's analysis of subsequent collections. Accounts receivable are written off if reasonable collection efforts prove unsuccessful.

### *Contributions Receivable*

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Contributions receivable as of June 30, 2010 and 2009 are all due in one year, therefore there is no discount. Amortization of the discount is included in contribution revenue.

Management considers all promises to give to be fully collectible, therefore no allowance for doubtful accounts has been established. Conditional promises to give are not included as support until the conditions are substantially met.

### *Publication Inventory*

Inventory consists of books, pamphlets, and various other publications. Inventory is stated at the lower of cost or market, and is valued using the average cost method of inventory valuation.

### *Property and Equipment*

Property and equipment are recorded at cost. The Association capitalizes all expenditures for property and equipment over \$1,000. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets of three to ten years or the lesser of the useful life of the asset or the term of the lease for leasehold improvements. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

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Certain costs of internally developed software and website development are capitalized in accordance with Statement of Position 98-1 "*Accounting for the Cost of Computer Software Developed or Obtained for Internal Use*" (Accounting Standards Codification 350-40-15) and Emerging Issues Task Force 00-2 "*Accounting for Website Development Costs*" (Accounting Standards Codification 350-50-15), respectively. These costs are being amortized over the estimated useful lives of the software and website.

### *Investments*

Investments are carried at readily determinable fair values. Certain corporate investments have no readily determined market value and are valued at fair value as estimated by the corporations. Because of the inherent uncertainty of valuation, it is reasonably possible that estimated values may differ significantly from the values that would have been used had a ready market for securities existed. Unrealized and realized gains and losses are included in the consolidated statements of activities.

### *Financial Instruments and Credit Risk*

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of investments held at creditworthy financial institutions. By policy, these investments are kept within limits designed to prevent risks caused by concentration. Credit risk with respect to trade and other receivables is limited because the Association deals with a large number of customers over a wide geographic area.

### *Deferred Membership Dues*

Dues are calculated based on the full-time equivalent (FTE) enrollment at the members' universities and colleges. The FTE is computed based on one-third of the part-time, plus all full-time student enrollments for the most recent fall semester or quarter. Approximately 500 member university and college renewals have calendar year renewal anniversaries. Membership dues are recognized on a pro-rata basis over the annual membership period.

### *Unrestricted Net Assets*

Unrestricted net assets are available for use in general operations.

Unrestricted - board designated net assets have been designated by the Board for specific purposes and consist of the quasi-endowment fund, the property and equipment fund, and the appropriated fund.

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

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### *Temporarily Restricted Net Assets*

Temporarily restricted net assets consist of amounts that are subject to donor restrictions and income earned on temporarily restricted net assets. The Association is permitted to use up or expend the donated assets in accordance with the donor restriction.

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

### *Revenue Recognition*

Revenue is recognized when earned. Contributions are reported when an unconditional promise to give is received.

### *Contributed Services*

The Association receives contributed services from speakers at its National Conference and seminars and from authors of certain articles and papers published by the Association. The Association has recognized \$67,000 and \$65,250 in contributed services revenue and consultant expenses for the years ended June 30, 2010 and 2009, respectively.

### *Use of Estimates*

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **2. Tax Status**

AGB has been granted exemption by the Internal Revenue Service (IRS) from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that AGB is not a private foundation. AGB is required to report unrelated business income to the Internal Revenue Service. AGB's source of unrelated business income consists of advertising income. No provision for income taxes has been made at June 30, 2010 and 2009 as expenses offset taxable income.

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

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AGB Search is taxed as a C Corp under the Internal Revenue Code. There is no income tax expense as AGB Search only incurred expenses in fiscal year 2010.

AGB and AGB Search adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) (FASB ASC 740-10) on July 1, 2009. Under ASC 740-10, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely than not that the position will be sustained. The implementation of ASC 740-10 had no impact on the Association's consolidated financial statements.

AGB and AGB Search do not believe there are any material uncertain tax positions and accordingly, will not recognize any liability for unrecognized tax benefits. AGB has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, AGB has filed Internal Revenue Form 990 tax returns as required and all applicable returns in those jurisdictions where it is required. AGB believes that it is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2006. However, AGB is still open to examinations by the tax authorities from fiscal year 2006 forward. As AGB Search is in its first fiscal year of existence, there are no prior year tax returns that could come under U.S. federal, state, and local, or non-US, income tax examination. No interest or penalties were accrued as of July 1, 2009 as a result of the adoption of ASC 740-10. For the year ended June 30, 2010, there were no interest or penalties recorded in the consolidated statements of activities.

### 3. Concentration of Credit Risk

The Association maintains its cash balances at several financial institutions which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

### 4. Property and Equipment

Property and equipment consists of the following at:

<i>June 30,</i>	2010	2009
Furniture and equipment	\$ 1,066,406	\$ 1,062,186
Computer software	57,069	295,659
Website	36,440	144,773
Leasehold improvements	990,960	990,960
	<u>2,150,875</u>	<u>2,493,578</u>
Less: accumulated depreciation and amortization	<u>1,011,757</u>	<u>1,261,643</u>
	<u>\$ 1,139,118</u>	<u>\$ 1,231,935</u>

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

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Depreciation and amortization expense for the years ended June 30, 2010 and 2009 was \$129,437 and \$131,628, respectively.

### 5. Fair Value Measurements

The Association follows the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (codified by the Financial Accounting Standards Board (FASB) in July 2009 as ASC 820) in accounting for fair value measurements. ASC 820 establishes a common definition for fair value to be applied under generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants operating within the same marketplace as the Association would use in pricing the Association's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Association are traded. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. These include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter markets. Cash and cash equivalents are recorded at historical cost which approximates their fair values.

Level 2 - Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. These include limited partnerships and real estate investment funds.

The Association's alternative investments are held in real estate investment funds which are valued based on level 3 inputs within the investment hierarchy used in measuring fair value. Given the absence of market quotations, their fair value is estimated using information provided to the Association by the investment manager. The values are based on estimates that

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

require varying degrees of judgments. Individual holdings within the alternative investments may include investment in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly-traded securities, and other investment vehicles. The investments may directly expose the Association to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments contain varying degrees of risk, the Association's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment.

The Association does not directly invest in the underlying securities of the investment funds and due to restrictions on transferability and timing of withdrawals from the real estate investment fund, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

The table below sets forth those assets measured at fair value as of June 30, 2010.

Description	Fair value measurement at reporting date using:			Balance as of June 30, 2010
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant other unobservable inputs (level 3)	
Money market funds	\$ 25,305	\$ -	\$ -	\$ 25,305
Large growth - equity securities	928,874	-	-	928,874
Mid-cap growth - equity securities	564,719	-	-	564,719
Small blend - equity securities	569,112	-	-	569,112
Large value - equity securities	920,382	-	-	920,382
Foreign large blend - equity securities	401,281	-	-	401,281
Diversified emerging markets	416,016	-	-	416,016
U.S. equity - broad market	63,142	-	-	63,142
World - equity securities	114,199	-	-	114,199
Large cap - equity securities	65,915	-	-	65,915
U.S./International equity	2,091	-	-	2,091
Intermediate term bond	1,571,800	-	-	1,571,800
Short term bond	1,026,419	-	-	1,026,419
Real estate investment fund	-	-	121,294	121,294
<b>Total</b>	<b>\$ 6,669,255</b>	<b>\$ -</b>	<b>\$ 121,294</b>	<b>\$ 6,790,549</b>

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

The following table summarizes the change in the fair value for Level 3 items for the year ended June 30, 2010:

	Fair value measurement at reporting date using unobservable inputs (Level 3)
	Real estate investment fund
Balance, beginning of year	\$ 346,947
Total realized and unrealized losses	(225,653)
Balance, end of year	\$ 121,294

The table below sets forth those assets measured at fair value as of June 30, 2009.

	Fair value measurement at reporting date using:			
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant other unobservable inputs (level 3)	
Money market funds	\$ -	\$ -	\$ -	\$ -
Large growth - equity securities	943,575	-	-	943,575
Mid-cap growth - equity securities	509,757	-	-	509,757
Small blend - equity securities	475,694	-	-	475,694
Large value - equity securities	868,881	-	-	868,881
Foreign large blend - equity securities	700,194	-	-	700,194
Diversified emerging markets	-	-	-	-
U.S. equity - broad market	40,766	-	-	40,766
World - equity securities	21,412	-	-	21,412
Large cap - equity securities	43,542	-	-	43,542
U.S./International equity	-	-	-	-
Intermediate term bond	1,623,288	-	-	1,623,288
Short term bond	1,007,263	-	-	1,007,263
Real estate investment fund	-	-	346,947	346,947
Total	\$ 6,234,372	\$ -	\$ 346,947	\$ 6,581,319

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

The following table summarizes the change in the fair value for Level 3 items for the year ended June 30, 2009:

	Fair value measurement at reporting date using unobservable inputs (Level 3)
	Real estate investment fund
Balance, beginning of year	\$ 583,224
Total realized and unrealized losses	(139,659)
Release of deferred compensation investments	(96,618)
Balance, end of year	\$ 346,947

The balance of the Association's assets measured at fair value as of June 30, 2010 and 2009 are classified in the consolidated statements of financial position as follows:

	2010	2009
Investments	\$ 6,391,709	\$ 6,265,135
Deferred compensation investments	398,840	316,184
	\$ 6,790,549	\$ 6,581,319

## 6. Investments

Investments, at fair value, consist of the following at:

<i>June 30,</i>	2010	2009
Equity securities		
Domestic mutual funds	\$ 2,983,087	\$ 2,797,907
Foreign mutual funds	817,297	700,194
Total equity securities	3,800,384	3,498,101
Fixed-income securities		
Corporate mutual funds	1,564,906	1,623,288
Short-term bond index fund	1,026,419	1,007,263
Total fixed-income securities	2,591,325	2,630,551
Alternative investment		
Real estate investment fund	-	136,483
Total investments	\$ 6,391,709	\$ 6,265,135

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

### 7. Cash Surrender Value of Life Insurance Policies

The Association maintains life insurance policies on the President in which the Association is the owner and primary beneficiary. As of June 30, 2010, the cash surrender value and the face value of these insurance policies were as follows:

	Cash Surrender Value	Face Value
John Hancock Variable Life Insurance Company	\$ 95,462	\$ 250,000
Lincoln National Life Insurance Company - (level term)	-	410,000
	\$ 95,462	\$ 660,000

As of June 30, 2009, the cash surrender value and the face value of these insurance policies were as follows:

	Cash Surrender Value	Face Value
John Hancock Variable Life Insurance Company	\$ 79,845	\$ 250,000
Lincoln National Life Insurance Company - (level term)	-	410,000
	\$ 79,845	\$ 660,000

### 8. Deferred Compensation

During fiscal year 1999, the Association established a nonqualified deferred compensation plan (a "rabbi trust") for senior management. Subsequently, the Board authorized 457(b) contributions through TIAA-CREF. The Association holds assets totaling \$398,840 and \$316,184 as of June 30, 2010 and 2009, respectively, which are reported as deferred compensation investments and a deferred compensation liability in the accompanying consolidated statements of financial position. The assets are subject to the claims of general creditors. The investments of the trust are held in separate accounts for investment purposes, but are designated by the Board for use to satisfy this deferred compensation liability.

Investments held for deferred compensation plans are carried at fair value and are classified as follows at:

<i>June 30,</i>	2010	2009
Domestic mutual funds	\$ 277,546	\$ 105,720
Real estate investment fund	121,294	210,464
Total	\$ 398,840	\$ 316,184

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

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### 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted to the following funds at:

<i>June 30,</i>	2010	2009
Purpose		
Member services	\$ 356,235	\$ 621,508
Miscellaneous	80,000	-
Research projects	-	23,090
	\$ 436,235	\$ 644,598

### 10. Program and Supporting Services Descriptions

The following program and supporting services are included in the accompanying consolidated financial statements.

#### *Meetings, Research, BECS, and Benchmarking Services*

The Association provides various workshops, seminars, and institutes for member presidents and trustees in addition to the annual National Conference on Trusteeship in major cities around the Nation. Also, the Association offers a wide range of continuing education opportunities for the boards of member institutions at sites of their own choosing. In addition, the Association offers an on-line service for its member institutions, the Strategic Benchmarking Service, which provides customized governance-oriented, strategic planning and benchmarking information.

#### *Publications*

In addition to a regular *Trusteeship* magazine, which is sent directly to its nearly 34,000 individual members, the Association publishes about 100 titles.

#### *Grant Programs*

The Association has a number of projects whose funding from outside sources is restricted to particular projects, including the Texas project to educate regents and trustees about the Texas Higher Education plan, "Closing the Gaps"; the project on college costs; the conduct of specific conferences and workshops; and the development and publication of specific books.

#### *The Richard T. Ingram Center for Public Trusteeship and Governance (the Center)*

The Center's mission is to strengthen relationships between state government and public higher education by enhancing the effectiveness of citizen governing and foundation boards and their trustee members. The Center offers workshops and institutes for public institutions. Also, it provides statewide and regional trustee education and board development programs.

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

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### *Other Unrestricted Programs*

The Association has a number of projects whose funds have been appropriated from excess revenue over expenses from the prior fiscal year.

### *Management and General*

Management and general includes the functions necessary to secure and maintain proper administrative function of the Board of Directors and two advisory groups of presidents and board chairs; maintain an adequate working environment; and manage the Association's financial and budgetary responsibilities.

### *Member Development*

The Association regularly promotes membership for College and University boards and institution chief executives through regular communications.

### *Fundraising*

The Association seeks financial (both restricted and unrestricted) support from individuals, corporations, and foundations for special Association programs, publications, services, and projects.

### *Marketing*

The Association has an annual schedule of marketing activities related to its programs, publications, services and membership. The marketing area coordinates concept and graphic design, production, and mailing of print and electronic promotional materials.

## **11. Defined Contribution Pension Plan**

The Association maintains a noncontributory defined contribution pension plan (the Plan) for eligible employees. All employees at least 21 years of age are eligible for the Plan and are fully vested upon entering the Plan. The Association contributes 10% of each eligible employee's compensation within the Social Security earnings base; and 15% on any compensation above the Social Security earnings base. The Association incurred \$276,766 and \$297,269 in pension expense for the years ended June 30, 2010 and 2009, respectively.

## **12. Line of Credit**

On June 25, 2010, AGB Search obtained a line of credit for \$500,000 to fund its operations. Interest rate on the borrowing is the bank's prime rate plus 1.75 percentage points. The line of credit is collateralized by the Association's accounts receivable, publications inventory and property and equipment. There have been no drawdowns as of June 30, 2010.

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

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### 13. Commitments and Contingencies

#### *Operating Lease*

The Association leases office space under a non-cancelable operating lease that expires on December 31, 2023. The Association is also committed under two operating leases for office equipment that expire in 2013 and 2010, respectively.

In accordance with the office space lease agreement, the Association has provided an irrevocable letter of credit in the amount of \$209,555 to the lessor as a security deposit for the lease. This letter of credit is secured by a certificate of deposit at one of the Association's banks.

Future minimum rental payments, by year and in the aggregate, under the operating leases are as follows:

Year Ending June 30,	
2011	\$ 668,794
2012	685,532
2013	718,378
2014	752,011
2015	770,791
Thereafter	6,591,369
	<hr/>
	\$ 10,186,875

The amount paid under rental agreements was \$652,450 and \$636,498 for the years ended June 30, 2010 and 2009, respectively.

Incentives received in the form of tenant improvements at the inception of the operating lease are accounted for as deferred rent in the accompanying consolidated statements of financial position and are amortized as necessary to recognize lease expense on a straight-line basis over the remaining life of the lease.

#### *Hotel Commitments*

In May 2010, the Association's Board of Directors made the decision to cancel three meetings that were to be held in Phoenix, Arizona. All three scheduled meetings were to be held at one hotel during fiscal year 2011. As a result of the decision to cancel these meetings, the hotel exercised the cancelation clause in the contracts and demanded payment of the penalty amount outlined in the contracts. Negotiations ensued and a settlement was reached whereby the Association is liable for a payment of \$200,000. The Association finalized the settlement agreement with the hotel on September 28, 2010. The settlement amount consists of \$50,000 which will be applied as a deposit to an event in 2015, and \$150,000 representing damages for the cancelled contracts for the three meetings scheduled in fiscal year 2011. The settlement

# Association of Governing Boards of Universities and Colleges and Affiliate

## Notes to the Consolidated Financial Statements

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amount of \$150,000 was recorded as a liability as of June 30, 2010 and is included in accounts payable and accrued expenses in the consolidated statements of financial position.

### 14. Subsequent Events

The Association evaluated subsequent events through October 25, 2010 which is the date the consolidated financial statements were available to be issued. There were no events, other than the settlement agreement discussed in Note 13, noted that required adjustment to or disclosure in these consolidated financial statements.

## Supplemental Material

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**Association of Governing Boards of Universities  
and Colleges and Affiliate**

**Consolidating Statement of Financial Position**

<i>June 30, 2010</i>	AGB	AGB Search	Eliminations	Total
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 2,148,912	\$ 346,610	\$ -	\$ 2,495,522
Accounts receivable, net	25,937	-	-	25,937
Contributions receivable, net	230,000	-	-	230,000
Publication inventory, net of allowance of \$22,143	256,719	-	-	256,719
Prepaid expenses	134,224	-	-	134,224
<b>Total current assets</b>	<b>2,795,792</b>	<b>346,610</b>	<b>-</b>	<b>3,142,402</b>
<b>Noncurrent assets</b>				
Property and equipment, net	1,139,118	-	-	1,139,118
Investments	6,391,709	-	-	6,391,709
Investment in AGB Search	50,000	-	(50,000)	-
Note receivable	357,500	-	(357,500)	-
Cash surrender value of life insurance policies	95,462	-	-	95,462
Deferred compensation investments	398,840	-	-	398,840
<b>Total noncurrent assets</b>	<b>8,432,629</b>	<b>-</b>	<b>(407,500)</b>	<b>8,025,129</b>
<b>Total assets</b>	<b>\$ 11,228,421</b>	<b>\$ 346,610</b>	<b>\$ (407,500)</b>	<b>\$ 11,167,531</b>
<b>Liabilities and Net Assets</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expenses	194,318	1,072	-	195,390
Accrued annual leave	131,139	-	-	131,139
Deferred membership dues	2,324,910	-	-	2,324,910
Other deferred income	126,411	-	-	126,411
<b>Total current liabilities</b>	<b>2,776,778</b>	<b>1,072</b>	<b>-</b>	<b>2,777,850</b>
<b>Noncurrent liabilities</b>				
Deferred rent	1,108,266	-	-	1,108,266
Deferred compensation liability	398,840	-	-	398,840
Note payable	-	357,500	(357,500)	-
<b>Total noncurrent liabilities</b>	<b>1,507,106</b>	<b>357,500</b>	<b>(357,500)</b>	<b>1,507,106</b>
<b>Total liabilities</b>	<b>4,283,884</b>	<b>358,572</b>	<b>(357,500)</b>	<b>4,284,956</b>
<b>Commitments and contingencies</b>				
<b>Net assets</b>				
<b>Unrestricted</b>				
General fund	636,025	(11,962)	(50,000)	574,063
Quasi-endowment fund	5,365,292	-	-	5,365,292
Property and equipment fund	392,608	-	-	392,608
Appropriated fund	114,377	-	-	114,377
<b>Total unrestricted net assets</b>	<b>6,508,302</b>	<b>(11,962)</b>	<b>(50,000)</b>	<b>6,446,340</b>
Temporarily restricted	436,235	-	-	436,235
<b>Total net assets</b>	<b>6,944,537</b>	<b>(11,962)</b>	<b>(50,000)</b>	<b>6,882,575</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,228,421</b>	<b>\$ 346,610</b>	<b>\$ (407,500)</b>	<b>\$ 11,167,531</b>

*See accompanying independent auditors' report and notes to the consolidated financial statements.*

Association of Governing Boards of Universities  
and Colleges and Affiliate

Consolidating Statement of Activities

Year ended June 30, 2010

	AGB						AGB Search	Eliminations	Total
	General Fund	Other Unrestricted Funds	Total Unrestricted	Temporarily Restricted	Total				
<b>Revenue, Gains, and Other Support</b>									
Membership	\$ 4,382,840	\$ -	\$ 4,382,840	\$ -	\$ 4,382,840	\$ -	\$ -	\$ 4,382,840	
Contributions and gifts	238,000	-	238,000	437,899	675,899	-	-	675,899	
National conference	637,661	-	637,661	-	637,661	-	-	637,661	
Net realized and unrealized gain on investments	26,974	545,976	572,950	-	572,950	-	-	572,950	
Board education consulting services	564,750	-	564,750	-	564,750	-	-	564,750	
Seminars and workshops	531,724	-	531,724	-	531,724	-	-	531,724	
Publication sales	307,290	-	307,290	-	307,290	-	-	307,290	
Center consulting services revenues/other income	163,535	(7,400)	156,135	-	156,135	-	-	156,135	
Interest and dividends	29,166	113,943	143,109	268	143,377	-	-	143,377	
Benchmarking services	81,388	-	81,388	-	81,388	-	-	81,388	
Contributed services	-	-	-	67,000	67,000	-	-	67,000	
Net assets released from restrictions: Satisfaction of purpose restrictions	713,530	-	713,530	(713,530)	-	-	-	-	
<b>Total revenue, gains, and other support</b>	<b>7,676,858</b>	<b>652,519</b>	<b>8,329,377</b>	<b>(208,363)</b>	<b>8,121,014</b>	<b>-</b>	<b>-</b>	<b>8,121,014</b>	
<b>Expenses</b>									
<b>Program services</b>									
Meetings, research, BECS, and benchmarking services	2,339,888	18,454	2,358,342	-	2,358,342	-	-	2,358,342	
Publications	1,055,261	10,765	1,066,026	-	1,066,026	-	-	1,066,026	
Grant programs	646,531	-	646,531	-	646,531	-	-	646,531	
Center for public trusteeship and governance	325,041	110,049	435,090	-	435,090	-	-	435,090	
Other unrestricted programs	-	41,718	41,718	-	41,718	-	-	41,718	
<b>Total program services</b>	<b>4,366,721</b>	<b>180,986</b>	<b>4,547,707</b>	<b>-</b>	<b>4,547,707</b>	<b>-</b>	<b>-</b>	<b>4,547,707</b>	
<b>Supporting services</b>									
Management and general	2,202,549	18,854	2,221,403	-	2,221,403	61,962	-	2,283,365	
Member development	406,981	31,291	438,272	-	438,272	-	-	438,272	
Fundraising	291,270	4,613	295,883	-	295,883	-	-	295,883	
Marketing	206,361	2,563	208,924	-	208,924	-	-	208,924	
<b>Total supporting services</b>	<b>3,107,161</b>	<b>57,321</b>	<b>3,164,482</b>	<b>-</b>	<b>3,164,482</b>	<b>61,962</b>	<b>-</b>	<b>3,226,444</b>	
<b>Total expenses</b>	<b>7,473,882</b>	<b>238,307</b>	<b>7,712,189</b>	<b>-</b>	<b>7,712,189</b>	<b>61,962</b>	<b>-</b>	<b>7,774,151</b>	
Change in net assets	202,976	414,212	617,188	(208,363)	408,825	(61,962)	-	346,863	
Transfers	(144,302)	144,302	-	-	-	-	-	-	
Issuance of AGB Search common stock	-	-	-	-	-	50,000	(50,000)	-	
Net assets, beginning of year	577,351	5,313,763	5,891,114	644,598	6,535,712	-	-	6,535,712	
Net assets, end of year	\$ 636,025	\$ 5,872,277	\$ 6,508,302	\$ 436,235	\$ 6,944,537	\$ (11,962)	\$ (50,000)	\$ 6,882,575	

Association of Governing Boards of Universities  
and Colleges and Affiliate

Consolidating Schedule of Functional Expenses (with comparative totals for the year ended June 30, 2009)

Year Ended June 30, 2010

	Program Services						Supporting Services						2010 Total	2009 Total		
	Meetings, Research, BECS, and Benchmarking Services	Publications	Grant Programs	Center for Public Trusteeship and Governance	Other Unrestricted Programs	Total Program Services	Management and General	Member Development	Fundraising	Marketing	Total Supporting Services	AGB Total			AGB Search	Eliminations
Accounting and legal	\$ 19,729	\$ 11,400	\$ -	\$ 6,516	\$ -	\$ 37,645	\$ 66,034	\$ 9,228	\$ 4,884	\$ 2,712	\$ 82,858	\$ 120,503	\$ 23,253	\$ -	\$ 143,756	\$ 150,549
Computer system maintenance	19,098	-	-	-	-	19,098	65,758	16,082	-	-	81,840	100,938	671	-	101,609	148,302
Conferences and seminars	620,680	-	27,390	-	-	648,070	-	-	-	819	648,889	-	-	648,889	818,191	
Consultant fees	523,718	50,200	105,730	87,426	29,342	796,416	106,981	6,494	4,000	19,399	136,874	933,290	-	-	933,290	1,191,178
Corporate sponsorships	(330,000)	-	330,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	34,263	19,987	-	11,421	-	65,671	34,263	16,179	8,565	4,759	63,766	129,437	-	-	129,437	131,628
Dues and subscriptions	4,351	188	-	838	-	5,377	10,338	12,228	295	72	22,933	28,310	110	-	28,420	53,056
Equipment lease and duplication	2,724	299	-	186	-	3,209	19,124	630	52	12	19,818	23,027	-	-	23,027	27,480
Insurance and bond	18,916	2,849	-	1,628	-	23,393	16,588	2,310	1,222	682	20,802	44,195	-	-	44,195	32,383
Occupancy/rent	193,624	128,856	-	66,164	-	388,644	205,440	91,232	48,394	29,649	374,715	763,359	-	-	763,359	762,021
Office supplies, telephone, maintenance	33,641	9,088	1,412	2,856	-	46,997	59,437	555	511	1,197	61,700	108,697	-	-	108,697	172,287
Other employee benefits	160,724	95,545	-	54,663	7,200	318,132	371,466	60,252	43,651	23,460	498,829	816,961	-	-	816,961	957,128
Other services	84,841	22,000	-	-	-	106,841	46,372	-	-	-	46,372	153,213	-	-	153,213	152,479
Postage	13,451	87,379	2,099	1,074	2,629	106,632	5,488	8,420	2,266	43	16,217	122,849	8	-	122,857	113,931
Printing/design	10,943	270,653	9,812	227	2,547	294,182	-	-	-	9,873	9,873	304,055	-	-	304,055	433,724
Promotion	100,914	21,835	-	-	-	122,749	2,186	13,282	400	6,124	21,992	144,741	23,250	-	167,991	177,199
Salaries	545,834	320,972	139,168	185,333	-	1,191,307	965,396	192,161	156,813	110,123	1,424,493	2,615,800	14,052	-	2,629,852	2,700,946
Special project/contingency	148,601	17,511	-	134	-	166,246	111,399	733	5,000	-	117,132	283,378	178	-	283,556	145,636
Temporary help/replacement	8,662	1,547	-	500	-	10,709	11,530	7,685	-	-	19,215	29,924	-	-	29,924	42,369
Travel and entertainment	143,628	5,717	30,920	16,124	-	196,389	123,603	801	19,830	-	144,234	340,623	440	-	341,063	331,339
<b>Total expenses</b>	<b>\$ 2,358,342</b>	<b>\$ 1,066,026</b>	<b>\$ 646,531</b>	<b>\$ 435,090</b>	<b>\$ 41,718</b>	<b>\$ 4,547,707</b>	<b>\$ 2,221,403</b>	<b>\$ 438,272</b>	<b>\$ 295,883</b>	<b>\$ 208,924</b>	<b>\$ 3,164,482</b>	<b>\$ 7,712,189</b>	<b>\$ 61,962</b>	<b>\$ -</b>	<b>\$ 7,774,151</b>	<b>\$ 8,541,826</b>

*See accompanying independent auditors' report and notes to the consolidated financial statements.*