

IAAP Financial Update

Since the last financial update provided to members in early November of 2009, IAAP has taken additional steps to secure its immediate and long-term financial future and to ensure its operations are not interrupted. In November, IAAP asked the Research and Educational Foundation (R&E) and the Retirement Trust Foundation (RTF) to pre-pay administrative fees to IAAP. IAAP provides administrative services to both the R&E and the RTF throughout the year and pays some of each entity's normal operating expenses as well. Normally these services and expenses are billed after the services have been received and the expenses are then reimbursed to IAAP. However, in order to increase IAAP's cash flow at its low point in November/December/January, the fees and expenses that will be incurred for the two entities throughout the rest of the 2009-2010 year were asked to be estimated and paid up front. After June 30, 2010, the administrative fees will be reconciled with the actual fees incurred and any adjustments will be made to ensure proper accounting procedures have been followed. Both the RTF Board of Trustees and the R&E Trustees approved these requests during separate board conference calls.

During the town hall meeting in Minneapolis, discussions included the need for IAAP to secure additional financing to maintain its operations until the approved dues increase has fully been realized (due to the timing of renewals). In light of this need, IAAP utilized two loan funding options available to the organization. One was to refinance its building by realizing a "cash out" from the amount of the loan in excess of the currently owed mortgage. IAAP was able to initiate a \$400,000 loan on the building, of which \$114,812 was used to retire the remaining mortgage principle (on its original loan). The remaining \$270,000 (after paying loan expenses) will be used to provide cash for operational needs. In addition, the IAAP International Board of Directors made a request to the RTF Board of Trustees to secure a loan of \$250,000 from its reserves. The terms of the loan will provide an interest rate of 6.5 percent (the same as the building refinancing) and has a loan repayment term of five years. A loan contract was developed and approved by the RTF Trustees at its December 6, 2009, board meeting in Kansas City. The refinancing of the building was completed on December 11, 2009.

The total of the two loans has provided approximately \$520,000 and will help sustain IAAP throughout this calendar year and into the first part of 2011. After that period, the recently enacted dues increase will have been fully realized and IAAP's finances (as described in the earlier published "IAAP Financial Future" document) will be stabilized.

Below is a review of IAAP's cash and cash equivalents levels from the first four months of the 2009-2010 fiscal year (this information was communicated in the first financial update distributed in November). As predicted and discussed during the Minneapolis town hall meeting, IAAP's cash reserves were being depleted as a result of lower than normal event registration fees and somewhat lower membership revenue. The cash levels were significantly lower as compared to the same time frame during the 2008-2009 fiscal year.

Cash and Cash Equivalent Levels:

	June 30	July 31	August 31	September 30	October 31
2008	\$1,497,872	1,164,225	882,210	652,280	500,496
2009	\$763,796	481,269	361,554	262,875	121,739
Difference	(\$734,076)	(682,959)	(520,656)	(389,405)	(378,757)

As illustrated in the following figures, if IAAP had not secured the prepayment of administrative expenses from its two supporting organizations, IAAP’s cash reserves would have slipped to a low of just \$37,000 by the end of November. Depending on the timing of revenues received and expenses paid, IAAP could have been in default on its loan payment, payroll or other operational expense items. The actions approved by the IAAP International Board of Directors have prevented this interruption from occurring. The reserves would have also fallen to just \$56,000 by the end of December as illustrated below without the prepaid expenses and loan receipts.

Cash and Cash Equivalents	With Prepayment of Expenses	With Prepayment of Expenses and Loans	Without Prepayment and Loans
November, 2009	\$227,752	* -----	\$37,131
December, 2009	*-----	\$798,581	\$56,206

*The Prepayment of services/expenses was executed in November and loans approved in December.

IAAP continues to look for ways to expand revenue sources and curtail expenditures as we move forward into the calendar year 2010. Because of some uncertainty with regards to attendance at IAAP’s key program events, the IAAP International Board and staff will continue to monitor the association’s finances and make the adjustments necessary to reduce any interruptions in programs or services. The Financial Oversight Committee consisting of President Shamali, President-Elect Ramsay-Drow, Treasurer Rannals, Executive Director Bretthauer and Controller Tuff, meet on a monthly basis to evaluate IAAP’s financial situation.