

National Association of Investors Corporation

**Consolidated Financial Report
with Additional Information
September 30, 2007**

National Association of Investors Corporation

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Independent Auditor's Report

To the Board of Directors
National Association of Investors Corporation

We have audited the accompanying consolidated balance sheet of National Association of Investors Corporation (the "Organization") as of September 30, 2007 and 2006 and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial position of National Association of Investors Corporation at September 30, 2007 and 2006 and the consolidated changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

December 19, 2007

National Association of Investors Corporation

Consolidated Balance Sheet

	September 30, 2007	September 30, 2006
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,274,750	\$ 3,561,041
Accounts receivable	330,053	372,775
Investments (Note 2)	93,832	89,458
Inventories	255,270	364,583
Prepaid expenses and other current assets	368,175	431,630
Total current assets	3,322,080	4,819,487
Investments (Note 2)	4,955,987	8,752,543
Property and Equipment - Net (Note 3)	4,375,947	4,260,067
Total assets	<u>\$ 12,654,014</u>	<u>\$ 17,832,097</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 629,142	\$ 834,855
Deferred revenue	1,813,789	2,407,166
Accrued liabilities and other:		
Accrued compensation	358,427	518,827
Current portion of deferred compensation	504,165	387,506
Other accrued liabilities	97,707	114,134
Total current liabilities	3,403,230	4,262,488
Long-term Liabilities		
Deferred compensation	2,121,593	2,478,552
Deferred revenue	871,122	920,298
Total liabilities	6,395,945	7,661,338
Net Assets		
Unrestricted	6,211,624	10,114,646
Temporarily restricted	46,445	56,113
Total net assets	6,258,069	10,170,759
Total liabilities and net assets	<u>\$ 12,654,014</u>	<u>\$ 17,832,097</u>

National Association of Investors Corporation

Consolidated Statement of Activities

	Year Ended	
	September 30, 2007	September 30, 2006
Changes in Net Assets		
Revenue:		
Software sales	\$ 937,642	\$ 1,802,680
Publication, book, and other sales	213,515	333,397
National Congress and other conference sales	295,817	700,524
Chapter program sales	580,975	952,836
Low-cost investment plan sales	13,474	9,260
Other sales	206,345	323,604
Corporate membership dues	317,444	470,370
Club membership dues	2,710,202	3,371,772
Individual membership dues	868,071	1,014,833
Online premium service membership dues	382,074	532,708
Subscriptions and advertising	446,124	972,024
Grant revenues	444,168	85,000
Investment income	1,076,317	1,225,480
Royalty and other income	248,605	258,553
Total revenue	8,740,773	12,053,041
Operating expenses	12,653,463	15,027,697
Decrease in Net Assets	\$ (3,912,690)	\$ (2,974,656)

National Association of Investors Corporation

Consolidated Statement of Changes in Net Assets

	Year Ended	
	September 30, 2007	September 30, 2006
Changes in Unrestricted Net Assets		
Revenue and gains	\$ 8,694,328	\$ 11,904,030
Net assets released from restrictions	56,113	32,500
Expenses, losses, and transfers	<u>(12,653,463)</u>	<u>(14,934,799)</u>
Decrease in Unrestricted Net Assets	(3,903,022)	(2,998,269)
(Decrease) Increase in Temporarily Restricted Net Assets	<u>(9,668)</u>	<u>23,613</u>
Decrease in Net Assets	(3,912,690)	(2,974,656)
Net Assets - Beginning of year	<u>10,170,759</u>	<u>13,145,415</u>
Net Assets - End of year	<u>\$ 6,258,069</u>	<u>\$ 10,170,759</u>

National Association of Investors Corporation

Consolidated Statement of Cash Flows

	Year Ended	
	September 30, 2007	September 30, 2006
Cash Flows from Operating Activities		
Decrease in net assets	\$ (3,912,690)	\$ (2,974,656)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	672,294	488,060
Deferred compensation	110,944	420,402
Net realized and unrealized investment gains	(651,139)	(680,613)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	42,722	(186,850)
Inventory	109,313	214,783
Prepaid expenses and other current assets	63,455	9,014
Accounts payable	(205,713)	65,234
Deferred revenue	(642,553)	(628,590)
Other accrued liabilities	(367,671)	253,571
Accrued compensation	(160,400)	82,502
Net cash used in operating activities	(4,941,438)	(2,937,143)
Cash Flows from Investing Activities		
Purchase of property, buildings, and equipment	(788,174)	(1,024,783)
Purchases of investments	(238,229)	(6,176,285)
Proceeds from sales of investments	4,681,550	10,256,508
Net cash provided by investing activities	3,655,147	3,055,440
Net (Decrease) Increase in Cash and Cash Equivalents	(1,286,291)	118,297
Cash and Cash Equivalents - Beginning of year	3,561,041	3,442,744
Cash and Cash Equivalents - End of year	<u>\$ 2,274,750</u>	<u>\$ 3,561,041</u>

National Association of Investors Corporation

Notes to Consolidated Financial Statements September 30, 2007 and 2006

Note I - Nature of Business and Significant Accounting Policies

Nature of Organization - The financial statements include the accounts of The National Association of Investment Clubs Trust and entities affiliated through common control, N.A.I.C. Holding Corporation, NAIC Services Corporation, Growth Fund Advisor, Inc., National Association of Investors Corporation, and investment club chapters throughout the United States (collectively, the "Trust"). All significant intercompany transactions have been eliminated in consolidation.

Effective September 27, 2007, The National Association of Investment Clubs Trust, N.A.I.C. Holding Corporation, NAIC Services Corporation, and Growth Fund Advisor, Inc. were liquidated. All remaining assets of N.A.I.C. Holding Corporation, NAIC Services Corporation, and Growth Fund Advisor, Inc. were distributed to the Trust. NAIC was terminated and donated all of its remaining assets to the National Association of Investors Corporation (NAIC), a Michigan nonprofit corporation, and exempt corporation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Trust is now the sole remaining legal entity and is engaged in investment education, providing members with instruction, methods, and tools to make informed investment decisions. Revenue consists primarily of membership dues, subscriptions, and sales of publications and market analysis tools to members throughout the country.

Significant accounting policies are as follows:

Revenue Recognition - Membership dues and publication subscriptions are deferred and recognized ratably over the applicable term. Advertising revenue is recognized at the time of publication. Sales revenue is recognized at the time of shipment to members.

Cash Equivalents - NAIC considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments - Investments are recorded at fair value based on quoted market prices.

Accounts Receivable - Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Inventory - Inventories consist of investment software, books, and publications for sale to members recorded at the lower of cost or market determined using the first-in, first-out (FIFO) method of valuation.

Property and Equipment - Property and equipment are recorded at cost. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

National Association of Investors Corporation

Notes to Consolidated Financial Statements September 30, 2007 and 2006

Note I - Nature of Business and Significant Accounting Policies (Continued)

Federal Income Taxes - NAIC is a tax-exempt organization; however, federal taxes are payable on its unrelated business income, comprised solely of advertising income net of direct advertising expenses.

The remaining entities included in the accompanying consolidated financial statements prior to liquidating are subject to federal income taxes.

Profit-sharing Plan - NAIC has a defined contribution profit-sharing plan covering substantially all employees with more than six months of service. The benefits are based on years of service and discretionary employer contributions are based on net profit of NAIC as a percentage of participants' wages. There was no profit-sharing expense for fiscal year 2007. Profit-sharing expense for fiscal year 2006 totaled \$128,854.

Deferred Compensation and Employment Agreements - NAIC has two deferred compensation arrangements with a former officer and employment agreements with two executives. One of the deferred compensation arrangements is funded and provides for a lump-sum benefit at retirement. The estimated present value of NAIC's obligation and related investment was approximately \$1,478,000 at September 30, 2007. The other deferred compensation arrangement provides annual defined benefits for the former officer's lifetime. The estimated present value of NAIC's obligation under this deferred compensation arrangement was approximately \$758,000 at September 30, 2007 and is reflected as a liability in the accompanying consolidated balance sheet.

One employment agreement provides for salary and various benefits and expires in fiscal year 2009. In connection with this agreement, NAIC has recognized deferred compensation obligations totaling approximately \$142,000.

The second employment agreement was in effect for an executive through June 30, 2007, at which point the executive terminated employment. In conjunction with the executive's termination, a severance agreement was entered into which provides for salary and various benefits through May 2008. In connection with this agreement, NAIC has recognized deferred compensation obligations totaling approximately \$245,000.

Deferred compensation expense for fiscal years 2007 and 2006 totaled \$111,014 and \$420,402, respectively.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets. There were no permanently restricted assets at September 30, 2007 or 2006.

National Association of Investors Corporation

Notes to Consolidated Financial Statements September 30, 2007 and 2006

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Advertising Costs - Advertising costs are charged to operations when incurred. Advertising expense for fiscal years 2007 and 2006 totaled \$61,133 and \$83,023, respectively.

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

Functional Allocation of Expenses - The expense of providing NAIC's program services totaled approximately \$9,620,000 and \$11,612,000, management and general expenses totaled \$2,632,000 and \$2,888,000, and membership development expenses totaled \$401,000 and \$435,000 for 2007 and 2006, respectively.

Reclassification - Certain reclassifications were made to amounts in the 2006 financial statements to conform to the classifications used in 2007.

Note 2 - Investments

Investments consisted of the following at September 30:

	2007	2006
U.S. government and municipal securities	\$ 400,272	\$ 863,155
Certificates of deposits	93,832	89,458
Corporate bonds	122,765	703,440
Equity securities	4,232,829	7,025,184
Mutual funds	200,121	160,764
Total	<u>\$ 5,049,819</u>	<u>\$ 8,842,001</u>

Included in equity securities is \$1,478,000 related to one of the deferred compensation arrangements described in Note 1.

Investment income for the years ended September 30, 2007 and 2006 consists of the following:

	2007	2006
Dividends and interest	\$ 425,178	\$ 451,969
Net realized and unrealized gains	651,139	680,613
Total	<u>\$ 1,076,317</u>	<u>\$ 1,132,582</u>

National Association of Investors Corporation

Notes to Consolidated Financial Statements September 30, 2007 and 2006

Note 3 - Property and Equipment

The cost of property and equipment is summarized as follows:

	<u>2007</u>	<u>2006</u>
Land	\$ 163,197	\$ 163,197
Building improvements	2,535,851	2,535,851
Machinery and equipment	3,953,390	3,657,032
Transportation equipment	30,666	30,666
Furniture and fixtures	<u>604,523</u>	<u>645,878</u>
Total cost	7,287,627	7,032,624
Accumulated depreciation	<u>(2,911,680)</u>	<u>(2,772,557)</u>
Net carrying amount	<u>\$ 4,375,947</u>	<u>\$ 4,260,067</u>

Depreciation expense was \$672,294 for 2007 and \$488,060 for 2006.

Note 4 - Income Taxes

During the year ended September 30, 1999, National Association of Investors Corporation was granted exemption from income taxes under Section 501(a), as described in Section 501(c)(3) of the Internal Revenue Code, effective May 20, 1998, with retroactive application under Section 501(c)(4) to inception.

There was no cash paid for income taxes for the years ended September 30, 2007 or 2006. There are no temporary differences between financial reporting and income tax accounting at September 30, 2007 or 2006.

A reconciliation of the provision for income taxes from continuing operations to income taxes computed by applying the statutory United States federal tax rate to income before taxes is as follows:

	<u>2007</u>	<u>2006</u>
Tax, computed at 34 percent of pretax loss	\$ (1,330,300)	\$ (1,011,400)
Effect of nontaxable loss	<u>1,330,300</u>	<u>1,011,400</u>
Total	<u>\$ -</u>	<u>\$ -</u>

National Association of Investors Corporation

Notes to Consolidated Financial Statements September 30, 2007 and 2006

Note 5 - Related Party Transactions

The Trust paid expenses totaling \$129,957 and \$203,314 in fiscal years 2007 and 2006, respectively, on behalf of NAIC Growth Fund, Inc., a related party through four common directors whose aggregate direct ownership percentage in NAIC Growth Fund, Inc. is approximately 3 percent as of September 30, 2007. All such expenditures were subsequently reimbursed by NAIC Growth Fund, Inc. As of May 1, 2007, NAIC Growth Fund, Inc. became managed by and received advisory services from an independent third party. As of September 30, 2007, NAIC Growth Fund, Inc. is no longer considered a related party with NAIC.

During the same periods, Growth Fund Advisors, Inc. received fees for investment management services provided to this affiliate totaling \$153,098 and \$202,124, respectively.

Note 6 - Commitments

Effective February 15, 2006, NAIC entered into a contract for professional services related to business and membership development through February 28, 2009. The terms of the agreement include a monthly fee of \$12,500 plus incentive compensation based on certain business retention and new business development measures. The agreement is cancellable with written notice.

Additional Information



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To the Board of Directors
National Association of Investors Corporation

We have audited the consolidated financial statements of National Association of Investors Corporation as of September 30, 2007 and 2006. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidated schedules of revenue and operating expenses are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. The consolidated schedules of revenue and operating expenses information has been subjected to the 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.

Plante & Moran, PLLC

December 19, 2007

National Association of Investors Corporation

Consolidated Schedule of Revenue

	Year Ended	
	September 30, 2007	September 30, 2006
Sales		
Software sales	\$ 937,642	\$ 1,802,680
Publication, book, and other sales	213,515	333,397
National Congress and other conference sales	295,817	700,524
Chapter program sales	580,975	952,836
Low-cost investment plan sales	13,474	9,260
Other sales	206,345	323,604
Membership Dues		
Corporate	317,444	470,370
Club	2,710,202	3,371,772
Individual	868,071	1,014,833
Online premium service	382,074	532,708
Subscriptions and Advertising	446,124	972,024
Other		
Grant revenues	444,168	85,000
Investment income	1,076,317	1,225,480
Royalty and other income	248,605	258,553
Total revenue	\$ 8,740,773	\$ 12,053,041

National Association of Investors Corporation

Consolidated Schedule of Operating Expenses

	Year Ended	
	September 30, 2007	September 30, 2006
Payroll and related expenses	\$ 3,384,637	\$ 3,949,423
Publications	988,465	1,469,186
Postage and shipping	685,194	883,235
Software	855,885	1,512,462
Repairs and maintenance	119,773	156,674
Depreciation	672,294	488,060
Professional fees	1,993,502	2,029,491
Profit sharing	(452)	128,854
Advertising and promotion	61,133	83,023
Office supplies	43,915	70,841
Outside services	547,395	317,855
Utilities	170,040	191,764
Travel	179,204	205,737
Nicholson award	6,278	6,302
Property and other taxes	162,769	182,458
Insurance	496,303	599,476
Bank charges	115,535	116,333
Board and council expenses	369,179	315,104
National Congress and other conferences	333,363	846,512
Compufest expense	11,168	124,670
Chapter program expenses	408,997	522,522
Other taxes	-	1,301
Contributions	-	50
Deferred compensation	111,014	420,402
Grant expenses	213,756	-
Legal expense	265,000	-
Other	459,116	405,962
Total operating expenses	<u>\$ 12,653,463</u>	<u>\$ 15,027,697</u>