

# AAA Mid-Atlantic Inc. Financial Report

<b>Assets</b>		<b>Balance Sheets</b>		<b>Liabilities and Net Worth</b>	
		December 31,		December 31,	
		2007	2006	2007	2006
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>	
Cash and cash equivalents		\$9,790,652	\$9,765,189	Accounts payable and other liabilities	\$49,279,831    \$31,205,115
Due from subsidiary companies		1,763,652	3,016,135	Payroll, commissions, & related payroll taxes	7,713,750    8,310,184
Accounts receivable		7,762,617	7,087,736	<b>TOTAL CURRENT LIABILITIES</b>	<b>56,993,581    39,515,299</b>
Inventories		3,220,063	3,767,610		
Prepaid expenses		3,125,796	4,548,287	<b>DEFERRED INCOME and PERFORMANCE GRANTS</b>	<b>113,037,870    109,926,738</b>
<b>TOTAL CURRENT ASSETS</b>		<b>25,662,779</b>	<b>28,184,957</b>		
<b>INVESTMENTS AND OTHER ASSETS</b>				<b>LONG-TERM LIABILITIES</b>	
Marketable securities		81,719,021	73,020,773	Deferred income taxes and retirement benefits	15,986,348    16,634,934
Real estate held for investment		0	9,941,505	Deferred tenant improvement credits	9,872,173    8,327,150
Investment in subsidiary companies		159,270,274	156,128,794	<b>TOTAL LONG-TERM LIABILITIES</b>	<b>25,858,521    24,962,084</b>
Note receivable from subsidiary		5,000,000	5,000,000		
Goodwill		26,280,792	26,280,792	<b>NET WORTH</b>	
Deferred income tax		6,759,739	0	AAA Mid-Atlantic Inc.	67,978,309    71,532,177
Other assets		11,430,666	10,882,509	Accumulated other comprehensive loss	(21,705,996)    (414,676)
Advances to subsidiaries		0	8,557,730	<b>TOTAL NET WORTH</b>	<b>46,272,313    71,117,501</b>
<b>TOTAL INVESTMENTS AND OTHER ASSETS</b>		<b>290,460,492</b>	<b>289,812,102</b>	Equity in undistributed earnings of subsidiaries	139,835,889    125,970,745
<b>PROPERTY AND EQUIPMENT, net of depreciation</b>		<b>55,051,103</b>	<b>53,900,759</b>	Accumulated other comprehensive income (loss)	(10,823,800)    405,450
<b>TOTAL ASSETS</b>		<b>\$371,174,374</b>	<b>\$371,897,818</b>	<b>TOTAL NET WORTH</b>	<b>175,284,402    197,493,696</b>
				<b>TOTAL LIABILITIES AND NET WORTH</b>	<b>\$371,174,374    \$371,897,818</b>

<b>Statements of Operations and Comprehensive Income</b>		<b>Statements of Cash Flows</b>			
		Years ended December 31,		Years ended December 31,	
		2007	2006	2007	2006
<b>OPERATING INCOME</b>				<b>OPERATING ACTIVITIES</b>	
Membership dues earned		\$224,534,604	\$213,820,572	Net income of the Club and subsidiaries	\$10,311,274    \$10,996,452
Net investment income and capital gains		7,423,912	6,611,231	Adjustments to reconcile net income to cash provided by operating activities	
Insurance commissions		19,276,743	16,042,632	Depreciation and amortization	8,975,562    9,007,804
Travel fees and commissions		29,145,519	27,892,394	(Gain) on sale of assets	(582,838)    (301,204)
Other operating income		13,299,872	13,088,884	Equity in undistributed income of subsidiaries	(8,653,381)    (7,897,800)
<b>TOTAL OPERATING INCOME</b>		<b>293,680,650</b>	<b>277,455,713</b>	Deferred income taxes	999,324    3,837,521
<b>OPERATING EXPENSES</b>				Changes in operating assets & liabilities:	
Member services and publications		74,029,402	71,392,682	Due from subsidiary companies	1,252,483    (1,169,131)
Acquisition costs and agents' compensation		18,285,686	16,731,180	Note receivable from subsidiary	0    0
Taxes, other than income taxes		8,107,350	7,167,046	Accounts receivable	(674,881)    (927,263)
Occupancy costs		23,340,812	18,613,522	Inventories and prepaid expenses	1,970,039    (1,796,131)
Depreciation and amortization		8,965,786	8,951,560	Other assets	398,717    (1,517,056)
Other operating expenses		156,646,901	151,467,168	Accounts payable and other liabilities	(15,391,151)    (3,382,377)
<b>TOTAL OPERATING EXPENSES</b>		<b>289,375,937</b>	<b>274,323,157</b>	Payroll, commissions, and related payroll taxes	(596,434)    4,227,058
Income before provision for income taxes and equity in undistributed income of subsidiaries		4,304,713	3,132,556	Deferred income	3,324,162    7,438,595
Provision for income taxes		(2,646,820)	(33,904)	Governmental performance grants & TI allowances	1,331,993    214,997
Income before equity in undistributed income of subsidiaries		1,657,893	3,098,652	<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,664,868    18,731,464</b>
Equity in undistributed income of subsidiaries		8,653,381	7,897,799	<b>INVESTING ACTIVITIES</b>	
<b>NET INCOME OF THE CLUB AND SUBSIDIARIES</b>		<b>\$10,311,274</b>	<b>\$10,996,451</b>	Sale of investments	6,364,076    7,694,374
Other comprehensive (loss) income, net of tax:				Purchase of investments	(19,497,621)    (18,227,089)
Unrealized holding loss arising during period		(7,380,313)	(478,952)	Maturity of marketable securities	1,500,000    6,450,000
Excess of pension liab over unrecgnzd prior svc cost		443,552	5,560,251	Investment in subsidiaries	0    (52,775)
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>		<b>(6,936,761)</b>	<b>5,081,299</b>	Advances from (to) subsidiaries	8,557,730    (3,403,485)
<b>COMPREHENSIVE INCOME</b>		<b>\$3,374,513</b>	<b>\$16,077,750</b>	Deferred (loss) gain on sale	0    (152,635)
				Acquisition of fixed & intangible assets, net	436,410    (12,236,414)
				<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,639,405)    (19,928,023)</b>
				<b>FINANCING ACTIVITIES</b>	
				CASH PROVIDED BY FINANCING ACTIVITIES	0    0
				CHANGE IN CASH AND CASH EQUIVALENTS	25,463    (1,196,560)
				Cash and cash equivalents at beginning of year	9,765,189    10,961,749
				<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$9,790,652    \$9,765,189</b>

The Parent financial statement format presented above is not audited, but is compiled in accordance with GAAP from the AAA Mid-Atlantic Inc. consolidated financial statements which are audited by independent accountants and are available for inspection during normal business at the headquarters of AAA Mid-Atlantic Inc., One River Place, Wilmington, DE 19801