

**TO:** ALA Executive Board

**RE:** **Controller's Report**

**DATE:** April 16, 2009

**ACTION REQUESTED/INFORMATION/REPORT:**

Presented for information.

**CONTACT PERSON:**

Russ Swedowski, Controller, 312/280-4253

**BACKGROUND:**

The Controller submits a quarterly information report to the Executive Board on some or all of the following:

- Inventory Levels
- Credit and Collections
- UBIT
- A-133 Audit Update
- 403(b) Plan Rules
- 990 Issues
- Debt Service Coverage Ratio

TO: Finance and Audit Committee  
FROM: Russell Swedowski  
DATE: April 16, 2009  
RE: Spring Meeting Agenda Items

**Inventory Levels-ALA Editions and Products & Promotions-**

Inventory levels at February 28, 2009, schedule 1, are as follows; ALA Editions \$656,360, and Products and Promotions (Graphics) \$662,520. The ALA Editions inventory reflects a \$34,000 valuation (down from \$36,000 at February 29, 2008) for Guide to Reference Books, 11th Edition. The 12th edition is in production. The largest item in the inventory for Products and Promotions at February 28, 2009 was \$107,000 of Read products, a total of 50 different items.

As of February 28, 2009 the excess and obsolete inventory reserves, schedule 2, reflect the following balances, ALA Editions (\$337,000) and Products and Promotions (\$113,000). In FY 2008, ALA Editions destroyed \$30,000 in excess and obsolete inventory and Graphics destroyed \$13,000. All destroyed product is charged against the respective inventory reserves for excess and obsolete products. In FY 2009, ALA Editions and has destroyed \$10,000 of excess and obsolete inventory, while Graphics destroyed \$11,200. See schedule 3 for historical destruction levels. Additions to the reserve through February are \$21,000 for ALA Editions and \$14,000 for Graphics (schedule 4).

**Credit and Collections-**

At February 28, 2009, trade accounts receivable were \$3,576,595 as compared to \$2,224,812 at February 29, 2008. The 150+ day aging bucket at February 28, 2009 contained \$1,274,117 of receivables as compared to \$196,714 at February 29, 2008. Only \$51,437 of the FY 2009 150+ day balance is at PBD. The large balance is a result of a large volume of conference exhibitor billings for the annual conference in Chicago, IL. In 2008 the billings were not done until March.

**Unrelated Business Income Tax (UBIT)-**

The preparation of the final UBIT worksheets and the actual tax returns commenced in late March, and as of this date the 990 is in process. The due date for Form 990 has been extended to July 15, 2009. The due date for Form 990T used for reporting unrelated business income tax was previously extended to June 15, 2009, and will include the taxation of the proceeds for periodical advertising income. Estimated

payments for FY 2008 were made to the Internal Revenue Service, \$30,000 and the Illinois Department of Revenue, \$3,000 and the prior year returns had overpayments totaling \$18,628 that were applied to the returns currently being prepared.

#### **A-133 Audit Update-**

The A-133 audit work is scheduled to begin on April 15, 2009. Ernst & Young has requested documents and schedules, most of which has been gathered by staff, to allow them to perform the audit in a timely and efficient manner. The audit is expected to take two weeks with the report being issued in May.

#### **403(b) Plan Rules-**

On November 16, 2007 the Department of Labor, Internal Revenue Service and the Pension Benefit Guarantee Corporation published revisions to Form 5500 Annual Report/Return of Employee Benefit Plans in the Federal Register. The changes are effective for plan years beginning on or after January 1, 2009. The Associations 403(b) plan year is September 1, 2008 to August 31, 2009. Accordingly, the changes will be effective for the following plan year.

Under new regulations issued by the Department of Labor, ERISA covered 403(b) plans with 100 or more participants are required to file audited financial statements with Form 5500. In addition, the final regulations require that 403(b) plans must be maintained pursuant to a written plan document.

#### **990 Issues-**

The 990 for fiscal year ended August 31, 2008 is in the early stage of preparation, with data gathering as the current major task. At this point there are no issues that have been noted.

#### **Debt Service Coverage Ratio-**

In conjunction with the Reimbursement Agreement relating to the bonds issued to finance the purchase of the DC office property the Association is required to file a compliance certificate on a quarterly basis. The certificate addresses the provisions of the loan agreement and details whether or not we are in default of any of the provisions. In addition, the compliance certificate for the second quarter (2/28) needs to include the covenant measurement for Unencumbered Liquid Assets and the fourth quarter (8/31) needs to include the covenant measurements for Debt Service Coverage and for Unencumbered Liquid Assets. For the period ending 2/28/2009 the compliance certificate was prepared and both covenant measurements were computed. The Liquid Asset ratio was an acceptable 1.03. The Debt Service ratio was -5.0 (1.15 to 1.0 minimum required), which is not in compliance with the terms of the loan agreement, however, this ratio is only required to be reported for the fourth quarter. Accordingly, this ratio will be closely monitored to attempt to bring it in compliance with the terms of the loan agreement.

AMERICAN LIBRARY ASSOCIATION  
HISTORICAL INVENTORY LEVELS  
AS OF AUGUST 31, 19XX

SCHEDULE 1

YEAR	GRAPHICS	% CHANGE	ALA EDITIONS	% CHANGE	TOTAL	% CHANGE	
1989	544,608		697,828		1,242,436		
1990	757,983	39.18%	718,588	2.97%	1,476,571	18.84%	
1991	661,005	-12.79%	769,198	7.04%	1,430,203	-3.14%	
1992	686,760	3.90%	711,549	-7.49%	1,398,309	-2.23%	
1993	715,912	4.24%	696,409	-2.13%	1,412,321	1.00%	
1994	729,317	1.87%	635,325	-8.77%	1,364,642	-3.38%	
1995	809,352	10.97%	604,194	-4.90%	1,413,546	3.58%	
1996	790,814	-2.29%	1,092,104	80.75%	1,882,918	33.21%	
1997	729,902	-7.70%	963,897	-11.74%	1,693,799	-10.04%	
1998	569,061	-22.04%	1,094,600	13.56%	1,663,661	-1.78%	
1999	463,294	-18.59%	956,806	-12.59%	1,420,100	-14.64%	
2000	573,551	23.80%	991,841	3.66%	1,565,392	10.23%	
2001	557,678	-2.77%	849,889	-14.31%	1,407,568	-10.08%	
2002	534,669	-4.13%	728,283	-14.31%	1,262,951	-10.27%	
2003	498,778	-6.71%	794,103	9.04%	1,292,881	2.37%	
2004	571,892	14.66%	835,846	5.26%	1,407,737	8.88%	
2005	622,796	8.90%	718,072	-14.09%	1,340,868	-4.75%	
2006	664,832	6.75%	699,378	-2.60%	1,364,210	1.74%	
2007	692,621	4.18%	726,314	3.85%	1,418,935	4.01%	
2008	616,266	-11.02%	619,219	-14.74%	1,235,485	-12.93%	
2009	28-Feb-09	662,520	7.51%	656,360	6.00%	1,318,880	6.75%

AMERICAN LIBRARY ASSOCIATION  
HISTORICAL E&O RESERVE LEVELS  
AS OF AUGUST 31, 19XX

SCHEDULE 2

YEAR	GRAPHICS	% CHANGE	ALA EDITIONS	% CHANGE	TOTAL	% CHANGE	% OF TOTAL INVENTORY	
1989	181,200		253,172		434,372		34.96%	
1990	181,200	0.00%	186,009	-26.53%	367,209	-15.46%	24.87%	
1991	133,866	-26.12%	135,898	-26.94%	269,764	-26.54%	18.86%	
1992	125,082	-6.56%	117,891	-13.25%	242,973	-9.93%	17.38%	
1993	137,328	9.79%	92,309	-21.70%	229,637	-5.49%	16.26%	
1994	76,767	-44.10%	110,047	19.22%	186,814	-18.65%	13.69%	
1995	103,033	34.22%	100,011	-9.12%	203,044	8.69%	14.36%	
1996	121,319	17.75%	116,322	16.31%	237,641	17.04%	12.62%	
1997	225,403	85.79%	173,195	48.89%	398,598	67.73%	23.53%	
1998	109,080	-51.61%	287,228	65.84%	396,308	-0.57%	23.82%	
1999	151,508	38.90%	333,862	16.24%	485,370	22.47%	34.18%	
2000	130,652	-13.77%	301,402	-9.72%	432,054	-10.98%	27.60%	
2001	77,539	-40.65%	217,774	-27.75%	295,313	-31.65%	20.98%	
2002	50,870	-34.39%	236,096	8.41%	286,966	-2.83%	22.72%	
2003	75,094	47.62%	280,851	18.96%	355,945	24.04%	27.53%	
2004	75,390	0.39%	295,668	5.28%	371,058	4.25%	26.36%	
2005	116,109	54.01%	268,718	-9.11%	384,827	3.71%	28.70%	
2006	159,162	37.08%	295,589	10.00%	454,751	18.17%	33.33%	
2007	137,698	-13.49%	276,886	-6.33%	414,584	-8.83%	29.22%	
2008	109,602	-20.40%	326,062	17.76%	435,664	5.08%	35.26%	
2009	28-Feb-09	112,587	2.72%	336,927	3.33%	449,514	3.18%	34.08%

AMERICAN LIBRARY ASSOCIATION  
HISTORICAL INVENTORY DESTRUCTION  
AS OF AUGUST 31, 19XX

SCHEDULE 3

YEAR	GRAPHICS	ALA EDITIONS	TOTAL
1989	0	139,729	139,729
1990	0	67,163	67,163
1991	116,334	68,283	184,617
1992	64,677	88,007	152,684
1993	24,324	61,613	85,937
1994	149,748	17,501	167,249
1995	59,954	46,884	106,838
1996	29,484	28,449	57,933
1997	7,306	37,396	44,702
1998	218,188	39,048	257,236
1999	73,439	35,221	108,660
2000	63,290	94,208	157,498
2001	97,112	139,990	237,102
2002	67,969	35,841	103,810
2003	26,276	2,693	28,969
2004	4	0	4
2005	21,981	64,403	86,384
2006	1,147	841	1,988
2007	46,930	42,714	89,644
2008	13,264	30,315	43,578
2009	28-Feb-09 11,188	10,039	21,227
	----- 1,092,615 =====	----- 1,050,339 =====	----- 2,142,953 =====

AMERICAN LIBRARY ASSOCIATION  
HISTORICAL INVENTORY RESERVE ADDITIONS  
AS OF AUGUST 31, 19XX

SCHEDULE 4

YEAR	GRAPHICS	ALA EDITIONS	TOTAL
1989	56,248	55,000	111,248
1990	0	0	0
1991	69,000	18,172	87,172
1992	55,893	70,000	125,893
1993	36,570	36,031	72,601
1994	89,187	35,239	124,426
1995	86,220	36,848	123,068
1996	47,770	44,760	92,530
1997	111,390	94,269	205,659
1998	101,865	153,081	254,946
1999	115,866	81,855	197,721
2000	42,490	61,748	104,238
2001	43,999	56,362	100,361
2002	41,300	54,163	95,463
2003	50,500	47,448	97,948
2004	300	14,817	15,117
2005	62,700	37,453	100,153
2006	44,200	27,712	71,912
2007	25,466	24,011	49,477
2008	(14,832)	79,491	64,659
2009	28-Feb-09 14,173	20,904	35,077
	----- 1,080,305 =====	----- 1,049,364 =====	----- 2,129,669 =====

SCHEDULE 5

AMERICAN LIBRARY ASSOCIATION  
AGING OF TRADE ACCOUNTS RECEIVABLE

FISCAL 07-08	CURR	30 DAYS	60 DAYS	90 DAYS	120 DAYS	150 DAYS	TOT. ACCT REC
September 2007	1,496,018	494,551	335,010	261,218	70,161	375,680	3,032,638
October 2007	893,198	731,776	205,991	185,131	72,322	268,577	2,356,996
November 2007	885,370	395,467	358,332	101,572	121,358	165,552	2,027,650
December 2007	660,163	358,928	150,788	212,027	46,057	257,351	1,685,314
January 2008	1,311,525	309,006	228,306	53,500	49,956	235,664	2,187,958
February 2008	1,501,437	373,329	111,508	28,829	12,996	196,714	2,224,812
March 2008	1,293,216	532,397	240,597	117,461	25,096	908,004	3,116,771
April 2008	1,187,665	298,763	307,345	81,090	(386)	174,607	2,049,084
May 2008	1,323,963	332,009	252,893	149,834	2,238	77,728	2,138,665
June 2008	1,146,577	604,518	194,092	78,051	107,941	98,361	2,229,539
July 2008	948,106	370,308	397,311	82,055	62,589	173,423	2,033,792
August 2008	1,300,545	298,765	198,600	150,560	(6,778)	225,438	2,167,130
07-08 Totals	13,947,782	5,099,817	2,980,773	1,501,328	563,549	3,157,098	27,250,348
FISCAL AVG	1,162,315	424,985	248,398	125,111	46,962	263,092	2,270,862

SCHEDULE 5

AMERICAN LIBRARY ASSOCIATION  
AGING OF TRADE ACCOUNTS RECEIVABLE

FISCAL 08-09	CURR	30 DAYS	60 DAYS	90 DAYS	120 DAYS	150 DAYS	TOT. ACCT REC
September 2008	1,304,930	540,149	211,047	119,540	88,956	559,759	2,824,381
October 2008	1,163,428	448,178	270,634	39,283	36,873	279,600	2,237,995
November 2008	840,083	509,126	182,809	164,969	13,817	235,439	1,946,243
December 2008	1,087,588	273,365	226,767	76,927	128,207	110,870	1,903,724
January 2009	1,047,888	437,737	139,670	100,746	61,377	217,172	2,004,591
February 2009	1,561,829	204,594	288,947	137,016	110,092	1,274,117	3,576,595
March 2009							
April 2009							
May 2009							
June 2009							
July 2009							
August 2009							
08-09 Totals	7,005,748	2,413,149	1,319,874	638,481	439,321	2,676,957	14,493,531
FISCAL AVG	1,167,625	402,192	219,979	106,414	73,220	446,159	2,415,588