

**TO:** ALA Executive Board

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

**DATE:** January 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
- Unrelated Business Income Tax (UBIT)
- Cash Management/Bond Fund
- Regulatory Issues
- Auditor Review, FY 2008

Attachments

TO: Finance and Audit Committee  
FROM: Russell Swedowski  
DATE: January 15, 2009  
RE: Midwinter Meeting Agenda Items

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

Inventory levels at November 30, 2008, schedule 1, are as follows; ALA Editions \$666,573, and Products and Promotions (Graphics) \$631,703. The ALA Editions inventory reflects a \$35,000 valuation (down from \$36,000 at November 30, 2007) for Guide to Reference Books, 11th Edition. The 12th edition, Guide To Reference, is in production as an electronic product. The largest item in the inventory for Products and Promotions at November 30, 2008 was \$82,000 (\$83,000 at November 30, 2007) of Read products, a total of 38 different items.

As of November 30, 2008 the excess and obsolete inventory reserves, schedule 2, reflect the following balances, ALA Editions (\$334,000) and Products and Promotions (\$115,000). In FY 2008, Graphics and ALA Editions destroyed \$13,264 and \$30,315 of excess or obsolete products. All destroyed product is charged against the respective inventory reserves for excess and obsolete products. In FY 2009, no significant destruction has taken place to date. See schedule 3 for historical destruction levels. Additions to the reserve through November are \$7,500 for ALA Editions and \$8,900 for Graphics (schedule 4).

**Credit and Collections-**

At November 30, 2008, trade accounts receivable were \$1,946,243 as compared to \$2,027,650 at November 30, 2007. The 150+ day aging bucket at November 30, 2008 contained \$235,439 of receivables as compared to \$165,552 at November 30, 2007. The increase is a result of various Midwinter exhibitor billings that are outstanding; the billings were done one month later in 2008 as compared to 2007.

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

The preparation of the final UBIT worksheets and the actual tax returns will commence in February, with a target completion date of early March. The proper extensions have been filed to extend the January 15th due date to April 15<sup>th</sup> and June 15<sup>th</sup> for the 990T. Estimated payments for FY 2008 were made in a timely manner. The initial expected total tax liability was \$23,253 for the Federal return and \$7,437 for the state of Illinois return. (In contrast, the returns for the prior year had tax liabilities of \$28,554 and \$8,363.) However, the final close of 2008 included additional revenues that were not in

the close used to compute the provision. As a result, the actual tax liability may be slightly higher than the provision.

On December 20, 2007 the Internal Revenue Service issued a new version of Form 990. The new form will be utilized by ALA for the tax year commencing September 1, 2008. The new 990 significantly changes the amount and the format of information that is reported as compared to the current Form 990. Significant operational impacts are expected. Specific changes include an 11 page core form and a series of 16 supplemental schedules. In addition, there are expanded questions on governance and executive compensation, as well as key areas of financial data. The preparation of the new Form 990 will likely result in the participation of staff other than just the Finance staff. Note: The Executive Committee of the Executive Board voted to review the 990 prior to filing the return with the IRS.

#### **Cash Management and Bond Fund-**

Total cash and short-term investments at November 30, 2008 amounted to \$19,253,041 as compared to \$21,318,442 a year ago. The decrease is due to lower deferred revenues for grants and awards and an increase in property, plant and equipment. Year-to-date interest income is \$222,025, which is \$7,889 more than the budget of \$214,136 and \$44,302 more than last year.

The Neuberger Berman bond fund investment balance is \$14,837,288 at November 30, 2008 as compared to \$12,548,713 at November 30, 2007: The increase reflects a transfer of \$2,000,000 of operating cash in August, 2008. As noted in schedule 6, this investment has produced over \$7,190,000 in interest income since December, 1991 and the yield has been well above the yield from certificates of deposit. With regard to risk of principal, the account finished FY 2008 with a realized/unrealized gain of \$89,373 and is currently reflecting a loss of \$95,610 for FY 2009. At November 30, 2008 the cumulative (computed since December, 1991) net realized/unrealized loss is \$286,289. See schedule 7 for additional details.

#### **Regulatory Issues-**

In the 2008 close we adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109." FIN 48 requires uncertain tax positions to be more likely than not to result in a benefit before it can be recorded in the financial statements. The adoption of FIN 48 did not have an impact on the financial statements. A detailed description of the financial effects of adopting FIN 48 is included in footnote 12 in the audited financial statements.

#### **Auditor Review-**

As a part of the audit process a review of the auditor's performance was prepared by staff. A total of ten performance areas were examined and rated either strong, good or fair. An overall rating was then assigned which in 2008 was strong.

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	30-Nov-08	631,703	2.50%	666,573	7.65%	1,298,276	5.08%

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	30-Nov-08	114,887	4.82%	333,587	2.31%	448,474	2.94%	34.54%

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	30-Nov-08 3,602	0	3,602
	----- 1,085,029 =====	----- 1,040,300 =====	----- 2,125,328 =====

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	30-Nov-08 8,887	7,525	16,412
	----- 1,075,019 =====	----- 1,035,985 =====	----- 2,111,004 =====

AMERICAN LIBRARY ASSOCIATION  
AGING OF TRADE ACCOUNTS RECEIVABLE

SCHEDULE 5

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

AMERICAN LIBRARY ASSOCIATION  
AGING OF TRADE ACCOUNTS RECEIVABLE

SCHEDULE 5

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							
January 2009							
February 2009							
March 2009							
April 2009							
May 2009							
June 2009							
July 2009							
August 2009							
08-09 Totals	3,308,442	1,497,453	664,490	323,792	139,646	1,074,798	7,008,620
FISCAL AVG	1,102,814	499,151	221,497	107,931	46,549	358,266	2,336,207

SCHEDULE 7

AMERICAN LIBRARY ASSOCIATION  
 NEUBERGER BERMAN BOND FUND  
 STATEMENT OF REALIZED GAINS AND LOSSES  
 FOR THE THREE MONTHS ENDING NOVEMBER 30, 2008

	MONTHLY REALIZED/UNREALIZED GAIN/(LOSS)		BOND FUND #1 SUBTOTAL		BOND FUND #2 TOTAL		PPG MERRILL LYNCH		NET
	UNREALIZED	REALIZED	UNREALIZED	REALIZED	UNREALIZED	REALIZED	UNREALIZED	REALIZED	
SEPTEMBER	(16,181)	0	(133,635)	(37,495)	(51,420)	900	(237,831)		
OCTOBER	(42,202)	0	(157,987)	(718)	(81,949)	(395)	(283,251)		
NOVEMBER	75,552	0	168,473	(12,495)	193,942	0	425,472		
DECEMBER							0		
JANUARY							0		
FEBRUARY							0		
MARCH							0		
APRIL							0		
MAY							0		
JUNE							0		
JULY							0		
AUGUST							0		
IND SECURITIES							0		
=====									
FY 1993 CFWD	17,169	0	(123,149)	(50,708)	60,573	505	(95,610)		
FY 1994 CFWD	58,654	12,277					70,931		
FY 1995 CFWD	(156,399)	(69,198)					(225,597)		
FY 1996 CFWD	93,596	(22,622)	4,226	(105)			75,095		
FY 1997 CFWD	(66,905)	(1,983)	(22,489)	3,738			(87,639)		
FY 1998 CFWD	26,857	24,234	22,728	(6,023)			67,796		
FY 1999 CFWD	66,645	2,908	29,601	6,348			105,502		
FY 2000 CFWD	(92,624)	(34,831)	(60,828)	7,844	(56,811)	(17,950)	(255,200)		
FY 2001 CFWD	56,095	(48,716)	36,945	(30,200)	31,671	(34,284)	11,511		
FY 2002 CFWD	125,591	39,538	51,791	22,697	34,830	24,279	298,726		
FY 2003 CFWD	(39,265)	17,957	73,991	14,918	(3,901)	14,517	78,217		
FY 2004 CFWD	(76,357)	2,002	(112,917)	87,065	(53,834)	34,883	(119,158)		
FY 2005 CFWD	(47,062)	(44,618)	(10,436)	(22,627)	(15,989)	2,356	(138,376)		
FY 2006 CFWD	12,975	(94,536)	(58,538)	(31,551)	(18,621)	(26,748)	(217,019)		
FY 2007 CFWD	43,418	(70,473)	18,414	(61,209)	(30,270)	(32,026)	(132,146)		
FY 2008 CFWD	34,262	(1,670)	36,894	(14,040)	38,930	(2,681)	91,695		
FY 2008 CFWD	(22,135)	30,685	(27,305)	41,559	36,856	29,713	89,373		
=====									
	34,515	(259,046)	(141,072)	(32,294)	23,434	(7,436)	(381,899)		
=====									