

**TO:** ALA Executive Board

**FROM:** Controller's Report

**ACTION REQUESTED/INFORMATION/REPORT:**

Presented for information.

**CONTACT PERSON:**

Russell Swedowski, Controller, 312/280-4253

**DATE:** June 20, 2008

**BACKGROUND:**

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

- A-133 (2008-09 EBD #4.0)
- Cash Flow Analysis (2008-09 EBD #4.1)
- Audit Planning
- Credit & Collections
- Inventory Update
- New Accounting Pronouncements

TO: Finance and Audit Committee  
FROM: Russell Swedowski  
DATE: June 20, 2008  
RE: Controller's Report

**Single Audit Report (A-133)-**

The OMB A-133 report was received on June 11<sup>th</sup>. The report, which covers the audit of Federal Awards, reports on compliance and internal controls in conjunction with OMB Circular A-133. The report has an unqualified opinion and no material weaknesses in internal controls were noted. In addition, there were no questioned costs charged to the Federal Awards and one minor reportable condition. The finding noted that procurement transactions were not consistently documented with regard to cost or price analysis and that there was no evidence vendors were tested for disbarment or suspension.

**Cash Analysis-**

A review of the Association's operating cash was initiated in order to determine the amount of funds available for investment in higher yielding investment accounts. Based upon this review it was determined that a transfer of up to \$3,000,000 could be moved out of operating cash into the Working Capital Account at Merrill Lynch. See 2008-09 EBD #4.1.

**Audit Planning-**

A planning meeting for the FY 2008 audit will be scheduled for July. Attempts were made to have this meeting in June but the schedules for the Ernst & Young staff prohibited having a June meeting. Preliminary audit work is expected to take place at the end of July with final audit work likely to occur in November-December.

**Credit and Collections-**

At April 30, 2008, trade accounts receivable were \$2,049,084 as compared to \$2,564,069 at April 30, 2007. The 150+ day aging bucket at April 30, 2008 contained \$174,607 of receivables as compared to \$315,651 at April 30, 2007. The decrease is a result of collection of conference exhibits billings and an increase in collection activity against bookstores by PBD and in iMIS (advertising billings) by Association staff. The PBD 150+ receivable balance is \$10,421 while the iMIS 150+ balance is \$164,186.

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

Inventory levels at April 30, 2007, schedule 1, are as follows; ALA Editions \$654,513, and Products and Promotions (Graphics) \$663,719. The ALA Editions inventory reflects a \$35,000 valuation (down from \$38,000 at April 30, 2007) for Guide to Reference Books, 11th Edition. The 12th edition is in production. The largest item in the inventory for Products and Promotions at April 30, 2008 was \$74,000 of Read products, a total of 41 different items.

As of April 30, 2008 the excess and obsolete inventory reserves, schedule 2, reflect the following balances, ALA Editions (\$153,000) and Products and Promotions (\$156,000). In FY 2008, Graphics destroyed \$4,514 and ALA Editions destroyed \$142,412 of product deemed excess or obsolete. All destroyed product is charged against the respective inventory reserves for excess and obsolete products. In FY 2007, destruction totaled \$46,930 for Graphics and \$42,714 for ALA Editions. See schedule 3 for historical destruction levels. Additions to the reserve through April are \$19,000 for ALA Editions and \$22,000 for Graphics (schedule 4).

#### **New Accounting Pronouncements-**

A process has started to identify new accounting pronouncements that may affect the Association. This involves reviewing newsletters from a variety of sources such as accounting firms, benefit organizations and other professional organizations. In addition, reviews of various web sites will also be conducted to help identify sources of on-line information that can provide easy access to accounting related issues. One site that is very helpful is the Internal Revenue Service web site. This project is still in the planning stage and will be a long-term effort.

#### **Information Related Tax Forms (990)-**

On an annual basis the Association is required to file Form 990, Return Of Organization Exempt From Income Tax. The 990 serves as a source of information about the Association and is available to the public for inspection. On December 20, 2007 the IRS released a new version of the 990 that significantly changes the amount and format of information that is reported compared to the current Form 990. The following questions, which are found on Part VI, page 6 of the 990, will require further discussion at upcoming meetings.

- Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:
  - a. the governing body?
  - b. each committee with authority to act on behalf of the governing body?
- Does the organization have local chapters, branches, or affiliates?  
If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?
- Was a copy of the Form 990 provided to the organization's governing body before it was filed? All organizations must describe in Schedule O the process, if any, the organization uses to review the Form 990.

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

SCHEDULE 1

| YEAR | GRAPHICS             | %<br>CHANGE | ALA EDITIONS | %<br>CHANGE | TOTAL     | %<br>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 | 30-Apr-08<br>663,719 | -4.17%      | 654,513      | -9.89%      | 1,318,232 | -7.10%      |

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

SCHEDULE 2

| YEAR | GRAPHICS             | %<br>CHANGE | ALA EDITIONS | %<br>CHANGE | TOTAL   | %<br>CHANGE | %<br>OF TOTAL<br>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 | 7.73%       | 29.22%                     |
| 2008 | 30-Apr-08<br>155,517 | 12.94%      | 153,200      | -44.67%     | 308,717 | -32.11%     | 23.42%                     |

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      | 30-Apr-08<br>4,514 | 142,412      | 146,926   |
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| 1,072,677 |                    |              | 2,225,074 |
| =====     |                    |              | =====     |

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      | 30-Apr-08<br>22,333 | 18,726       | 41,059    |
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| 1,103,297 |                     |              | 2,070,992 |
| =====     |                     |              | =====     |

SCHEDULE 5

AMERICAN LIBRARY ASSOCIATION  
AGING OF TRADE ACCOUNTS RECEIVABLE

| FISCAL 06-07   | CURR       | 30 DAYS   | 60 DAYS   | 90 DAYS   | 120 DAYS | 150 DAYS  | TOT. ACCT REC |
|----------------|------------|-----------|-----------|-----------|----------|-----------|---------------|
| September 2006 | 1,627,751  | 326,773   | 283,207   | 118,500   | 7,525    | 105,407   | 2,469,161     |
| October 2006   | 1,288,110  | 565,430   | 227,457   | 193,648   | 63,363   | 94,735    | 2,432,741     |
| November 2006  | 1,109,530  | 382,761   | 246,057   | 94,213    | 181,519  | 133,957   | 2,148,037     |
| December 2006  | 1,127,204  | 378,967   | 202,611   | 144,106   | 62,276   | 328,530   | 2,243,695     |
| January 2007   | 1,104,163  | 542,860   | 208,105   | 91,340    | 49,886   | 259,594   | 2,255,948     |
| February 2007  | 1,384,985  | 377,790   | 228,431   | 157,301   | 118,247  | 437,511   | 2,704,264     |
| March 2007     | 1,647,399  | 496,042   | 253,553   | 89,043    | 85,114   | 1,075,292 | 3,646,443     |
| April 2007     | 1,314,809  | 534,492   | 263,846   | 105,067   | 30,204   | 315,651   | 2,564,069     |
| May 2007       | 1,140,654  | 393,083   | 283,645   | 87,970    | (25,264) | 233,714   | 2,113,802     |
| June 2007      | 1,489,006  | 352,485   | 234,490   | 137,248   | 58,598   | 205,944   | 2,477,771     |
| July 2007      | 1,106,929  | 723,957   | 198,349   | 44,449    | 110,031  | 251,437   | 2,435,152     |
| August 2007    | 1,113,493  | 439,651   | 386,842   | 136,656   | 3,635    | 636,237   | 2,716,514     |
| 06-07 Totals   | 15,454,033 | 5,514,290 | 3,016,593 | 1,399,540 | 745,133  | 4,078,008 | 30,207,597    |
| FISCAL AVG     | 1,287,836  | 459,524   | 251,383   | 116,628   | 62,094   | 339,834   | 2,517,300     |

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       |           |           |           |           |          |           | 0             |
| June 2008      |           |           |           |           |          |           | 0             |
| July 2008      |           |           |           |           |          |           | 0             |
| August 2008    |           |           |           |           |          |           | 0             |
| 07-08 Totals   | 9,228,591 | 3,494,217 | 1,937,876 | 1,040,828 | 397,560  | 2,582,149 | 18,681,223    |
| FISCAL AVG     | 1,153,574 | 436,777   | 242,235   | 130,103   | 49,695   | 322,769   | 1,556,769     |