

TO: ALA Executive Board

RE: **Controller's Report**

DATE: January 11, 2010

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
- Financial System Replacement

Attachments

TO: Finance and Audit Committee

FROM: Russell Swedowski

DATE: January 11, 2010

RE: Midwinter Meeting Agenda Items

Inventory Levels-ALA Editions and Products & Promotions-

Inventory levels at November 30, 2009, schedule 1, are as follows: ALA Editions \$762,125, and Products and Promotions (Graphics) \$665,370. The ALA Editions inventory reflects a \$34,000 valuation (down from \$35,000 at November 30, 2008) for Guide to Reference Books, 11th Edition. The 12th edition, Guide To Reference, is for sale as an electronic product. The largest item in the inventory for Products and Promotions at November 30, 2009 was \$112,000 (\$82,000 at November 30, 2008) of Read products, a total of 57 different items.

As of November 30, 2009 the excess and obsolete inventory reserves, schedule 2, reflect the following balances, ALA Editions (\$293,000) and Products and Promotions (\$159,000). In FY 2009, Graphics and ALA Editions destroyed \$15,821 and \$10,039 of excess or obsolete products. All destroyed product is charged against the respective inventory reserves for excess and obsolete products. In FY 2010, Graphics has destroyed \$46,870 to date. See schedule 3 for historical destruction levels. Additions to the reserve through November are \$7,600 for ALA Editions and \$4,800 for Graphics (schedule 4).

Credit and Collections-

At November 30, 2009, trade accounts receivable were \$2,083,497 as compared to \$1,946,243 at November 30, 2008. The 150+ day aging bucket at November 30, 2009 contained \$186,292 of receivables as compared to \$235,439 at November 30, 2008. The decrease is a result of various Midwinter exhibitor billings that are outstanding, the billings were done one month earlier in 2009 as compared to 2008.

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 April. The proper extensions have been filed to extend the January 15th due date to April 15th and June 15th for the 990T. Estimated payments for FY 2009 were made in a timely manner. There is no expected tax liability for the Federal or the state of Illinois returns. (In contrast, the returns for the prior year had tax liabilities of \$13,352 and \$5,323.) However, the final close of 2009 included additional revenues and expenses 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.

The new version of Form 990 will be used in the preparation of the 2008-2009 filing. 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. As a result, an extension to file this return by July 15, 2010 will be submitted.

Cash Management and Bond Fund-

Total cash and short-term investments at November 30, 2009 amounted to \$18,456,744 as compared to \$19,253,041 a year ago. The decrease is due to lower deferred revenues for subscriptions and meetings/conferences and an increase in property, plant and equipment and inventories. Year-to-date interest income is \$243,911, which is \$58,926 more than the budget of \$184,985 and \$21,886 more than last year.

The Neuberger Berman bond fund investment balance is \$15,099,214 at November 30, 2009 as compared to \$14,837,288 at November 30, 2008. The increase reflects an improved market since there were no additions/withdrawals to the investment. As noted in schedule 6, this investment has produced over \$8,005,000 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 2009 with a realized/unrealized gain of \$382,050 and is currently reflecting a net gain of \$135,878 for FY 2010. At November 30, 2009 the cumulative (computed since December, 1991) net realized/unrealized gain is \$231,050. See schedule 7 for additional details.

ALA Financial System Replacement-

General Timeframe

<u>Activity</u>	Estimates								
	<u>Date</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>	<u>Jul</u>	<u>Aug</u>
Facilitated Session w/RSM McGladrey (Framing Session)	1/26/10-1/27/10	X							
RSM McGladrey Results	2/25/09		X						
Develop RFP	3/1/10-6/1/10			→	→	→			
Vendor Selection/ Demos	6/1/10-8/1/10						→	→	→
Choose Vendor	8/15/09								X

Objectives

- Improve month-end and year-end close process
- Augment the grant/endowment accounting process to comply with accounting standards by utilizing available technology

Framing Sessions

- Conducted by RSM McGladrey
- 2-Day Facilitated Meetings
- Systems “As-Is” Discussion
- Systems “To-Be” Discussion
- Identify Needs/Requirements
- Identify and Address Policy and Procedure Changes

“As-Is” Framing

Document existing flow

“To-Be” Process

Develop new process with input from key stakeholders

Outcomes

- Identify specific system needs and requirements
- Identify policy and procedure changes
- Identify staff development and training needs
- Identify high level report requirements and audited financial statement requirements

Services

Guide ALA through accounting system selection (limited assistance plan):

- Prepare for and conduct formal project kickoff meeting
- Provide document templates where available
- Review written requirements document/checklist and provide feedback
- Review RFP and provide feedback
- Assist with identifying vendors
- Analyze responses to RFP, prepare written report and meet to discuss
- Review demonstration scripts and attend demos (limited to 3 demos)
- Discussion and feedback on finalists
- Project management and quality control

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	739,434	19.99%	716,785	15.76%	1,456,219	17.87%	
2010	30-Nov-09	665,370	-10.02%	762,125	6.33%	1,427,495	-1.97%

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	201,328	83.69%	285,829	-12.34%	487,157	11.82%	33.45%	
2010	30-Nov-09	159,227	-20.91%	293,403	2.65%	452,630	-7.09%	31.71%

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	15,821	10,039	25,860
2010	30-Nov-09 46,870	0	46,870
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	1,144,118	1,050,339	2,194,457
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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	107,547	(30,194)	77,353
2010	30-Nov-09 4,769	7,574	12,343
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	1,178,448	1,005,840	2,184,288
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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	1,188,925	487,082	179,689	128,208	87,879	915,657	2,987,439
April 2009	1,026,273	426,137	206,457	70,126	87,802	432,887	2,249,682
May 2009	920,595	301,117	225,971	157,536	38,463	349,340	1,993,022
June 2009	1,041,317	295,377	151,250	117,927	72,157	202,460	1,880,488
July 2009	1,193,498	386,159	150,832	43,124	65,289	109,751	1,948,654
August 2009	1,054,007	432,463	134,582	64,355	31,691	501,066	2,218,165
08-09 Totals	13,430,363	4,741,484	2,368,655	1,219,758	822,602	5,188,118	27,770,981
FISCAL AVG	1,119,197	395,124	197,388	101,646	68,550	432,343	2,314,248
	48%	19%	6%	3%	1%	23%	100%

SCHEDULE 5

AMERICAN LIBRARY ASSOCIATION
AGING OF TRADE ACCOUNTS RECEIVABLE

FISCAL 09-10	CURR	30 DAYS	60 DAYS	90 DAYS	120 DAYS	150 DAYS	TOT. ACCT REC
September 2009	1,610,520	325,977	322,307	22,736	23,632	118,595	2,423,766
October 2009	1,144,395	601,901	157,625	116,567	7,531	127,150	2,155,169
November 2009	998,746	414,824	316,479	94,287	72,869	186,292	2,083,497
December 2009	1,169,352	367,995	123,479	182,114	49,787	254,872	2,147,599
January 2010	0	0	0	0	0	0	0
February 2010	0	0	0	0	0	0	0
March 2010	0	0	0	0	0	0	0
April 2010	0	0	0	0	0	0	0
May 2010	0	0	0	0	0	0	0
June 2010	0	0	0	0	0	0	0
July 2010	0	0	0	0	0	0	0
August 2010	0	0	0	0	0	0	0
09-10 Totals	4,923,013	1,710,696	919,890	415,704	153,819	686,909	8,810,032
FISCAL AVG	410,251	142,558	76,658	34,642	12,818	57,242	734,169

HISTORY OF DEPOSITS TO THE NEUBERGER BERMAN ACCOUNTS

SCHEDULE 6

AS OF AUGUST 31, 19XX

DATE	AMOUNT	# MONTHS	30-Nov-09	YEAR	MARKET VALUE	INTEREST INCOME	YIELD
15-Dec-91	1,500,000	219		1991	1,493,202	5,529	6.66%
15-Feb-92	500,000	217		1992	2,107,981	91,630	6.82%
15-Feb-93	1,000,000	204		1993	4,717,417	174,093	5.93%
15-May-93	1,000,000	201		1994	4,726,074	264,791	4.94%
15-Jun-93	500,000	200		1995	5,784,008	319,958	6.57%
15-Jun-95	750,000	176		1996	5,990,229	374,246	6.53%
21-Mar-01	400,000	106		1997	6,377,031	400,808	6.25%
29-Mar-01	400,000	106		1998	6,855,814	418,743	6.30%
20-Apr-01	555,400	105		1999	7,005,423	422,880	6.11%
18-Aug-08	2,000,000	16		2000	7,324,250	422,114	6.12%
04-Jun-09	(900,000)	6		2001	9,794,308	521,609	5.90%
				2002	10,399,702	579,012	5.09%
				2003	11,037,007	474,382	3.81%
				2004	11,248,222	444,196	4.19%
				2005	11,429,831	485,123	4.26%
				2006	11,685,678	477,319	4.68%
				2007	12,238,592	570,448	4.17%
				2008	14,801,391	578,827	4.54%
				2009	15,260,990	759,392	4.10%
				30-Nov-09	15,099,214	220,123	3.92%

5.34% AVG

8,005,223

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AMERICAN LIBRARY ASSOCIATION
NEUBERGER BERMAN BOND FUND
STATEMENT OF REALIZED GAINS AND LOSSES
FOR THE THREE MONTHS ENDING NOVEMBER 30, 2009

SCHEDULE 7

MONTHLY REALIZED/UNREALIZED GAIN/(LOSS)

	BOND FUND #1 SUBTOTAL		BOND FUND #2 TOTAL		PPG MERRILL LYNCH	
	UNREALIZED	REALIZED	UNREALIZED	REALIZED	UNREALIZED	REALIZED
SEPTEMBER	4,154	(694)	(19,413)	1,025	746	7,186
OCTOBER	(3,886)	0	11,079	0	11,834	0
NOVEMBER	33,948	11	41,010	0	43,965	4,913
DECEMBER						
JANUARY						
FEBRUARY						
MARCH						
APRIL						
MAY						
JUNE						
JULY						
AUGUST						
IND SECURITIES						

FY 1993 CFWD	34,216	(683)	32,676	1,025	56,545	12,099	135,878
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 2009 CFWD	(22,135)	30,685	(27,305)	41,559	36,856	29,713	89,373
	74,398	2,372	191,239	(89,612)	203,298	355	382,050

	125,960	(257,357)	205,992	(70,173)	222,704	4,513	231,639
					123,437	12,441	135,878