EBD 4.9.1

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January 28, 2013
Chicago, Illinois

To the Executive Board
American Library Association
50 East Huron Street
Chicago, Illinois 60611

Attention: Mr. Keith Michael Fiels, ALA Executive Director

This letter is intended to inform the Executive Board of the American Library Association (Association) about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Executive Board.

The following summarizes various matters which must be communicated to you under auditing standards generally accepted in the United States of America.

The Auditor's Responsibility Under Generally Accepted Auditing Standards

Our audit of the financial statements of American Library Association for the year ended August 31, 2012 was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events.

The Executive Board and management have informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. The Executive Board may wish to monitor throughout the year the processes used to compute and record these accounting estimates.

Following is the Executive Boards' and management description of the processes utilized in forming particularly sensitive accounting estimates.

1. The Association evaluates the collectability of its accounts receivable based on the length of time the receivables are outstanding and the anticipated future collectible amounts based on historical experience. Accounts receivable are charged to the allowance for doubtful accounts when they are deemed uncollectible and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.
2. Inventories are stated net of a reserve for excess and obsolete items. Reserves for obsolete inventories are based on estimated future usage as related to quantities of stock on hand.
3. Depreciation and amortization expenses for property and equipment are based upon actual useful lives of assets along with management judgment.
4. Intangible assets were determined at their estimated fair value at the time of the acquisition of Neal Schuman Publishers, Inc. and are stated at cost less accumulated amortization. Impairment losses are recognized if the carrying amount of an intangible subject to amortization is not recoverable from expected future cash flows and its carrying amount exceeds its fair value. The amortization expense for intangible assets are based upon estimated useful lives of assets along with management judgment.
5. Goodwill was determined at its estimated fair value at the time of the acquisition of Neal Schuman Publishers, Inc by using the acquisition method of accounting for business combinations. Under this method, all assets and liabilities acquired in a business combination, including goodwill, are recorded at fair value. The purchase price allocation requires subjective judgments concerning estimates of the fair value of the acquired assets and liabilities. The Association performs an annual impairment analysis of goodwill and if impaired, the goodwill is written down.
6. The Association has income derived from certain advertising activities that has been determined to be unrelated business income. Unrelated business income is taxed in accordance with Federal and state income tax regulations. If an unrelated business tax liability is present, the estimated calculation based on stated taxable weights is calculated and recorded in the financial statements.
7. Investments are stated at fair value, except for investment in cash, which are at amortized cost. Investments with values that are based on quoted market prices in active markets are classified as Level 1. Investments that trade in markets that are not considered to be active, but are valued based upon quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified as Level 2. Investments classified as level 3 investments have significant unobservable inputs, as they trade infrequently or not at all.
8. Interest rate swaps are stated based upon a quoted market price which reflects the present value of the difference between estimated future fixed-rate payments and the future variable-rate receipts
9. Accrued Post-retirement benefits are calculated by a third party actuary based upon census data, plan provisions, and health care cost related information provided by management to the actuary. Management has reviewed the key assumptions in determining this calculation and believes the estimate to be reasonable.

Audit Adjustments

During the course of the audit, we identified adjusting entries which were required to be made to the financial statements of the Association, the entries related primarily to reclassifications between asset and liability accounts.

Uncorrected Misstatements

Attached is the summary of unrecorded misstatements. Management is in agreement that the net effect of these unrecorded misstatements is immaterial to the financial statements taken as a whole.

Accounting Policies and Alternative Treatments

The Executive Board and management have the ultimate responsibility for the appropriateness of the accounting policies used by the Association. The Association did not adopt any significant new accounting policies (except for the notes related to intangible assets and goodwill) nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the Association.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to the American Library Association.

This report is intended solely for the information and use of the Executive Board and Management, and is not intended to be and should not be used by anyone other than the specified parties.

Chicago, Illinois
January 28, 2013

2012 American Library Association
Year End: August 31, 2012
Waived Journal Entries
Date: 9/1/2011 To 8/31/2012

Number	Date	Name	Account No	Reference	Debit	Credit	Proposed Net Income (Loss)	Proposed Amount Chg	Recurrence
		Net Income (Loss)					345,459 52		
WAIVED AJE	8/31/2012	A/P-VENDORS/SYSTEM GENERAT	11-000-2100-0000	2004		76,564 24			
WAIVED AJE	8/31/2012	CONFERENCE EQUIPMENT RENT	11-220-5301-0000	2004	76,564 24				
		To accrue FY 12 Pennsylvania Conference expenses recorded in FY 13 pertaining to FY 12							
					76,564 24	76,564.24	268,895 28	(76,564 24)	
WAIVED AJE	8/31/2012	INVENTORY/BKS-NEAL-SCHUMAN	11-000-1415-0000	2000 01D		83,421 00			
WAIVED AJE	8/31/2012	INVENTORY ADJUSTMENT	11-301-5490-2210	2000 01D	83,421 00				
		To record strapulation error of sample in inventory selection							
					83,421 00	83,421 00	185,474 28	(83,421.00)	
					159,985.24	**159,985.24**	**185,474.28**	**(159,985.24)**	

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AMERICAN LIBRARY ASSOCIATION

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS

AUGUST 31, 2012

John Fedus
Partner

Mueller & Co., LLP
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INDEPENDENT AUDITORS' REPORT

Executive Board
American Library Association

We have audited the accompanying consolidated statement of financial position of the American Library Association (the Association) as of August 31, 2012, and the related statements of operations and changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of the Association for the year ended August 31, 2011, were audited by other auditors whose report, dated February 16, 2012, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Library Association as of August 31, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated T/B/D, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mueller & Co., LLP

Chicago, Illinois
January 28, 2013

American Library Association
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31,

ASSETS		2012		2011
CURRENT ASSETS				
Cash and cash equivalents	S	2,672,539	S	2,954,698
Short-term investments		13,828,329		15,133,606
Accounts receivable, less allowance for doubtful accounts and returns of S211,008 and S182,497 in 2012 and 2011, respectively		3,291,339		2,847,129
Inventories, less reserves of S517,183 and S402,434 in 2012 and 2011, respectively		1,817,155		1,214,071
Grants receivable		791,457		802,385
Prepaid expenses and other assets		658,632		659,748
Total current assets		23,059,451		23,611,637
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION		14,171,505		14,620,551
GOODWILL		2,326,567		-
INTANGIBLE ASSETS, LESS AMORTIZATION		3,915,121		-
LONG-TERM INVESTMENTS		32,560,816		31,310,618
TOTAL ASSETS	S	76,033,460	S	69,542,806

The accompanying notes are an integral part of the financial statements.

American Library Association
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED
August 31,

LIABILITIES AND NET ASSETS	2012	2011
CURRENT LIABILITIES		
Accounts payable	$ 4,399,578	$ 3,256,913
Accrued liabilities	688,914	1,564,819
Deferred revenue		
Publication subscriptions	2,250,476	2,205,056
Membership dues	4,204,404	4,244,197
Conference fees	2,622,537	3,703,981
Grants and awards	3,469,339	2,722,372
Current portion of capital lease obligation	223,816	253,923
Current portion of long-term debt	647,500	215,945
Total current liabilities	18,506,564	18,167,206
CAPITAL LEASE OBLIGATION	485,209	97,851
LONG-TERM DEBT	9,452,500	4,179,673
NON-CURRENT PORTION OF ACCRUED POST-RETIREMENT BENEFITS	17,126,536	16,980,883
Total liabilities	45,570,809	39,425,613
NET ASSETS		
Unrestricted	24,899,115	24,309,560
Temporarily restricted	5,048,836	5,292,933
Permanently restricted	514,700	514,700
Total net assets	30,462,651	30,117,193
TOTAL LIABILITIES AND NET ASSETS	$ 76,033,460	$ 69,542,806

The accompanying notes are an integral part of the financial statements.

American Library Association
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended August 31, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support				
Operating revenues				
Membership dues	$ 8,621,239	$ -	$ -	$ 8,621,239
Sales of books and materials	8,253,186	4,200	-	8,257,386
Subscriptions	4,438,922	-	-	4,438,922
Advertising	5,322,617	-	-	5,322,617
Meetings and conferences	12,080,405	-	-	12,080,405
Grants	4,846,040	904,358	-	5,750,398
Contributions	1,019,713	169,470	-	1,189,183
Dividends and interest income				
Short-term investments	751,945	-	-	751,945
Long-term investments	571,601	21,311	-	592,912
Other	2,623,117	8,693	-	2,631,810
Total operating revenues	48,528,785	1,108,032	-	49,636,817
Net assets released from restrictions				
Satisfaction of program restrictions	1,362,520	(1,362,520)	-	-
Total revenues and other support	49,891,305	(254,488)	-	49,636,817
Expenses				
Payroll	21,373,228	-	-	21,373,228
Outside services	7,608,159	-	-	7,608,159
Travel	2,227,428	-	-	2,227,428
Meetings and conferences	6,355,523	-	-	6,355,523
Publications	4,934,377	-	-	4,934,377
Operating	7,554,582	-	-	7,554,582
Post-retirement benefits	1,472,116	-	-	1,472,116
Total expenses	51,525,413	-	-	51,525,413
Other post-retirement employee benefit-related credit other than net periodic post-retirement cost	1,130,263	-	-	1,130,263
Expenses in excess of operating revenues and other support	(503,845)	(254,488)	-	(758,333)
Non-operating				
Net realized and change in unrealized gains				
Short-term investments	22,485	-	-	22,485
Long-term investments	1,029,278	10,391	-	1,039,669
Change in fair value of swap agreement	38,099	-	-	38,099
Change in investment in related party	3,538	-	-	3,538
CHANGE IN NET ASSETS	589,555	(244,097)	-	345,458
Net assets, beginning of year	24,309,560	5,292,933	514,700	30,117,193
Net assets, end of year	$ 24,899,115	$ 5,048,836	$ 514,700	$ 30,462,651

The accompanying notes are an integral part of the financial statements.

American Library Association
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended August 31, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support				
Operating revenues				
Membership dues	$ 8,656,744	$ -	$ -	$ 8,656,744
Sales of books and materials	7,019,542	-	-	7,019,542
Subscriptions	4,600,175	-	-	4,600,175
Advertising	5,266,933	-	-	5,266,933
Meetings and conferences	10,021,000	-	-	10,021,000
Grants	4,609,249	742,874	-	5,352,123
Contributions	1,147,725	301,883	-	1,449,608
Dividends and interest income				
Short-term investments	851,496	-	-	851,496
Long-term investments	669,207	14,580	-	683,787
Other	2,675,051	5,161	-	2,680,212
Total operating revenues	45,517,122	1,064,498	-	46,581,620
Net assets released from restrictions				
Satisfaction of program restrictions	1,187,230	(1,187,230)	-	-
Total revenues and other support	46,704,352	(122,732)	-	46,581,620
Expenses				
Payroll	20,938,781	-	-	20,938,781
Outside services	6,687,090	-	-	6,687,090
Travel	1,731,608	-	-	1,731,608
Meetings and conferences	6,258,656	-	-	6,258,656
Publications	4,752,007	-	-	4,752,007
Operating	6,373,855	-	-	6,373,855
Post-retirement benefits	1,587,263	-	-	1,587,263
Total expenses	48,329,260	-	-	48,329,260
Other post-retirement employee benefit related credit other than net periodic post-retirement cost	256,569	-	-	256,569
Expenses in excess of operating revenues and other support	(1,368,339)	(122,732)	-	(1,491,071)
Non-operating				
Net realized and change in unrealized (losses) gains				
Short-term investments	(3,222)	-	-	(3,222)
Long-term investments	1,893,514	29,112	-	1,922,626
Change in fair value of swap agreement	20,061	-	-	20,061
Change in investment in related party	20,941	-	-	20,941
CHANGE IN NET ASSETS	562,955	(93,620)	-	469,335
Net assets, beginning of year	23,746,605	5,386,553	514,700	29,647,858
Net assets, end of year	$ 24,309,560	$ 5,292,933	$ 514,700	$ 30,117,193

The accompanying notes are an integral part of the financial statements.

American Library Association
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended August 31,

		2012		2011
Cash flows from operating activities				
Change in net assets	$	345,458	$	469,335
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation and amortization-Property and Equipment		2,597,130		2,133,656
Amortization-Intangible Assets		334,879		-
Net realized and change in unrealized (gains) losses				
Short-term investments		(22,485)		3,222
Long-term investments		(1,039,669)		(1,922,626)
Change in investment in related party		(3,538)		(20,941)
Increase (decrease) in allowance for doubtful accounts and returns		28,511		(96,322)
Increase (decrease) in reserve for inventories		114,749		(11,516)
Changes in operating assets and liabilities				
Accounts receivable		(472,721)		747,388
Inventories		(717,833)		46,237
Grants receivable		10,928		57,525
Prepaid expenses and other assets		1,116		189,442
Accounts payable		1,142,665		181,479
Accrued liabilities		(872,367)		(92,598)
Deferred revenue		(328,850)		1,357,831
Accrued post-retirement benefits		145,653		951,666
Net cash provided by operating activities		1,263,626		3,993,778
Cash flows from investing activities				
Purchase of property and equipment		(2,148,084)		(2,401,627)
Purchase of goodwill		(2,326,567)		-
Purchase of intangible assets		(4,250,000)		-
Purchase of long-term investments		(18,125,032)		(22,632,281)
Proceeds from sale of long-term investments		17,914,503		22,054,832
Purchase of short-term investments		(11,412,373)		(7,756,516)
Proceeds from sale of short-term investments		12,740,135		8,281,486
Net cash used in investing activities		(7,607,418)		(2,454,106)
Cash flows from financing activities				
Proceeds from issuance of long term debt		10,100,000		-
Proceeds from equipment lease agreement		449,831		-
Payments on capital lease obligations		(92,580)		(205,945)
Principal payments of long-term debt		(4,395,618)		(295,832)
Net cash provided by (used in) financing activities		6,061,633		(501,777)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(282,159)		1,037,895
Cash and cash equivalents, beginning of year		2,954,698		1,916,803
Cash and cash equivalents, end of year	$	2,672,539	$	2,954,698
Supplemental disclosure of cash flow information				
Cash paid for interest expense	$	225,478	$	204,931

The accompanying notes are an integral part of the financial statements.

NOTE A - PURPOSE OF ORGANIZATION

The accompanying consolidated financial statements represent the accounts of the American Library Association (the "Association") and its affiliate, the ALA Allied Professional Association, Inc. (the "ALA/APA").

The Association, a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code of 1986 (the "IRC") and the oldest and largest national library association in the world, is organized to promote libraries and librarianship. Governed by a council of 182 members (the "Council") and representing more than 57,500 personal and organizational members, the mission of the Association is to provide leadership for the development, promotion and improvement of library and information services and the profession of librarianship in order to enhance learning and ensure access to information for all.

The ALA/APA, governed by the Council, is organized to promote the mutual professional interests of librarians and other library workers. The ALA/APA was incorporated in July 2003 as a not-for-profit corporation under Section 501(c)(6) of the IRC. Significant intercompany transactions have been eliminated in consolidation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires the use of estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are assets whose use has been limited by donors to a specific time period or purpose. Assets released from restrictions are reported in the consolidated statements of operations and changes in net assets as additions to unrestricted net assets.

Permanently restricted net assets consist of amounts designated by donors to be held in perpetuity. Earnings, gains and losses on permanently restricted net assets are included in unrestricted revenue and other support unless restricted by donors.

Contributions

Contributions are considered to be available for the general programs of the Association unless specifically restricted by the donor. Contributions are recorded at fair value.

Unconditional promises of others to contribute cash or other assets are reported at fair value at the date the promise is made. The contributions are reported as either temporarily restricted net assets, if they are received with donor stipulations that limit the use of the contributed assets to a specific time period or purpose or permanently restricted net assets, if the contribution is to be held in perpetuity. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as unrestricted. Restricted earnings are recorded as additions to temporarily restricted net assets until such amounts are expended in accordance with the donor's specifications.

When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the accompanying consolidated statements of operations as net assets released from restrictions.

Grant Revenue

Grant revenue is recognized when the expenses have been incurred for the purpose specified by the grantor. Payments received in advance are initially recorded as deferred revenue. Grants that make payment on a reimbursement basis are included in grants receivable on the accompanying consolidated statements of financial position until the payment is received.

Revenue Recognition

Membership dues are recorded as revenue over the period for which such dues have been assessed. Revenue from publishing activities is recognized as follows: sales of books and other materials are recorded when the goods are shipped to a customer; subscriptions to publications are recorded over the respective subscription period; and advertising in publications is recorded when the publication is issued.

Registration fees for attending meetings, conferences and certain special projects are recorded as revenue at the time the related program takes place.

The Association receives significant amounts of membership dues, publication subscriptions and fees for meetings, conferences and special projects in advance of earning this revenue. The advance payments are accounted for as deferred revenue in the accompanying consolidated statements of financial position.

Advertising

Advertising costs are expensed as incurred.

Cash Equivalents

Cash equivalents consist of money market account deposits that are highly liquid and have a maturity of three months or less at the date of acquisition. Cash includes cash held in bank accounts with balances that exceed the Federal Deposit Insurance Corporation insured limits of $250,000. The Association has not experienced any losses in such accounts and management believes it is not exposed to significant financial risk.

Accounts Receivable

The Association evaluates the collectability of its accounts receivable based on the length of time the receivables are outstanding and the anticipated future collectible amounts based on historical experience. Accounts receivable are charged to the allowance for doubtful accounts when they are deemed uncollectible and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The Association does not require collateral.

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. These include swap agreements and investments for which quoted prices are available but which are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a Net Asset Value ("NAV") per share, or its equivalent, that may be redeemed at that NAV at the date of the consolidated statement of financial position or in the near term, which is generally considered to be within 90 days.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

Transfers between levels are recognized as of the end of the reporting period.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes observable input requires significant judgment by the Association. The Association considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

Inventories

Inventories primarily include books, pamphlets, posters and paper. Inventories are carried at the lower of cost (first-in, first-out basis) or market, and are recorded at an amount that includes direct expenses incurred in production. Indirect and copy editing costs are charged to expense as incurred.

Inventories are stated net of a reserve for excess and obsolete items. Reserves for obsolete inventories are based on estimated future usage as related to quantities of stock on hand. Consignment inventories are sold by the Association based upon sales agreements with two publishing companies.

Prepaid Expenses and Other Assets

Included in prepaid expenses and other assets are restricted funds held by a custodian. These amounts, used to satisfy monthly sinking fund requirements associated with the District of Columbia variable rate revenue bonds, totaled $0 and $7,500 at August 31, 2012 and 2011, respectively.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Capitalization occurs when the aggregate cost of property or equipment exceeds $1,000 and that property has an estimated useful life of three years or more. Buildings are depreciated over useful lives of 37 to 50 years, furniture and equipment are depreciated over useful lives of 3 to 10 years, and technology and related equipment are depreciated over useful lives of 3 to 5 years. Depreciation is provided using the straight-line method. Upon retirement or sale of assets, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged in determining the change in net assets.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2012-04, *"Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS"* ("ASU 2012-04"). ASU 2012-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and International Financial Reporting Standards. ASU 2012-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. ASU 2012-04 will be effective for the year ended August 31, 2013, with early adoption permitted. The Association believes that the adoption of this standard will not materially expand its consolidated financial statement footnote disclosures.

Reclassifications

Certain account balances have been reclassified in the 2011 consolidated financial statements to conform to 2012 presentation.

NOTE C - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2012 and 2011 are available for the following purposes:

	2012	2011
Preparation and publication of reading lists	$ 927,765	$ 957,642
Scholarships, awards and fellowships	4,001,784	4,208,098
Promotion of public libraries	90,291	97,484
Other	28,996	29,709
	$5,048,836	$5,292,933

During 2012 and 2011, net assets were released from donor restrictions by incurring expenses satisfying the donor's restrictions or by occurrence of other events specified by donors, as follows:

	2012	2011
Purpose restrictions accomplished		
Preparation and publication of reading lists	$ 36,190	$ 46,373
Scholarships, awards and fellowships	1,318,012	1,132,403
Promotion of public libraries	7,413	7,518
Other	905	936
	$1,362,520	$1,187,230

As of August 31, 2012 and 2011, the Association's permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support the following purposes:

	2012	2011
Preparation and publication of reading lists	$100,000	$100,000
Scholarships, awards and fellowships	411,700	411,700
Other	3,000	3,000
	$514,700	$514,700

NOTE D - ACQUISITIONS

On December 23, 2011, the Association acquired the net assets of Neal Schuman Publishers, Inc. for a total purchase price of $7,058,918 funded through operating cash and a term loan. The purchase was accounted for under the acquisition method of accounting, whereby the underlying assets acquired were recorded at their fair value. The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill of $2,326,567. The primary reason for acquiring Neal Schuman Publishers, Inc. was to grow the Association through strategic acquisitions, and expand its book publishing products beyond the Association's current customer base.

The following schedule summarizes the fair value of the assets acquired and liabilities assumed:

Accounts receivable	$ 85,201
Inventories	667,293
Intangible assets	4,250,000
Goodwill	2,326,567
Total Assets	$7,329,061
Accounts payable	$ 61,593
Other Liabilities	208,550
Total Liabilities	270,143
Net Asset Purchase	$7,058,918

The Association has obtained a term loan from a financial institution in the amount of $10,100,000 of which $5,800,000 was used toward the net asset purchase of Neal Schuman Publishers, Inc.

NOTE E - INVESTMENT IN RELATED PARTY

The Association is a participant, with two other organizations, in a publishing venture. The three participating organizations (the "Participant(s)") each own, as tenants in common, one-third shares of the copyright created by the efforts of this related party. Under a separate agreement, a committee was established to administer a fund (the "Fund") and to apply the assets of the Fund toward making amendments and revisions to the copyrighted materials, and to fund future product development, travel and administrative support. Each Participant is obligated to remit to the Fund a royalty of 10% of the Participant's sales of the copyrighted material. The Association serves as custodian for the Fund on behalf of the Participants.

At August 31, 2012 and 2011, the Association has a $297,000 net receivable (net of $52,000) and a $267,000 receivable (net of $60,000 in allowance reserves), respectively, from the Fund for expenditures paid. Total amounts paid by the Association to the Fund for royalties during the years ended August 31, 2012 and 2011, were $45,888 and $46,230, respectively. For 2012 and 2011, the Association's portion of the Fund's net income was $3,538 and $20,941, respectively, which is reflected in the accompanying consolidated statement of operations and changes in net assets.

The following summarizes the condensed financial information of the Fund as of and for the years ended August 31:

	2012	2011
Total assets	$147,850	$114,849
Total liabilities	334,161	312,026
Revenues	54,658	58,943
Expenses	43,792	18,260

NOTE F - ALLOWANCE FOR DOUBTFUL ACCOUNTS AND RETURNS

Changes in the Association's allowance for doubtful accounts and returns for the years ended August 31, 2012 and 2011, are as follows:

	2012	2011
Beginning balance	$182,497	$278,819
(Credit) provision for bad debts	30,271	(62,720)
Accounts written off	(21,870)	(49,794)
Amounts recovered	10,110	16,192
Adjustment to allowance for returns	10,000	-
Ending balance	$211,008	$182,497

NOTE G - PROPERTY AND EQUIPMENT

On June 17, 2004, the Association entered into an agreement to purchase an office condominium in Washington, D.C., subject to the satisfaction of certain conditions. The property was acquired on February 3, 2005. The total cost of the building, building improvements and land was $4,777,000. The purchase consisted of a $1,500,000 down payment, $3,175,000 from tax-exempt revenue bonds sold by the District of Columbia and $102,000 from operating funds. On June 27, 2012 the Association terminated the master agreement and paid the outstanding balance of $2,706,430. In consideration of the early termination, $235,000 was also paid to terminate the interest rate swap.

On February 18, 2009, the Association purchased an office condominium in Middletown, Connecticut. The total cost of the building, building improvements and land was $2,087,000 and was financed with a new mortgage loan. On June 27, 2012 the Association terminated the mortgage loan and paid the remaining principal balance of $1,586,850.

The components of property and equipment balances at August 31, 2012 and 2011, are as follows:

	2012	2011
Land	$ 2,443,394	$ 2,443,394
Buildings and improvements	13,858,689	13,802,751
Furniture and other equipment	3,439,355	3,396,252
Technology and related equipment	17,404,868	15,355,825
Total property and equipment	37,146,306	34,998,222
Less accumulated depreciation and amortization	22,974,801	20,377,671
Property and equipment, net	$14,171,505	$14,620,551

Unamortized software development costs included in property and equipment at August 31, 2012 and 2011, were $3,121,965 and $3,130,120, respectively. Related amortization expense was $802,073 and $460,037 in 2012 and 2011, respectively. Property and equipment depreciation and amortization expense for the year ended August 31, 2012 and 2011 was $2,597,130 and $2,133,656, respectively.

NOTE H - INTANGIBLE ASSETS

The Association recognizes an acquired intangible asset apart from goodwill whenever the intangible asset arises from contractual or other legal rights, or when it can be separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged, either individually or in combination with a related contract, asset, or liability. Intangible assets are stated at cost less accumulated amortization and consist of trademarks and brand extension, co-publishing relationship, distribution relationship, backlist, customer relationships, online and catalog and non-compete agreements. Impairment losses are recognized if the carrying amount of an intangible subject to amortization is not recoverable from expected future cash flows and its carrying amount exceeds its fair value. Management determined that no intangible asset impairment existed as of August 31, 2012.

The Association allocated $4,250,000 of the purchase price in the Neal Schuman Publishers, Inc. acquisition on December 23, 2011, to the following groupings and estimated useful lives as determined by independent expert appraisal:

Intangible Asset	Fair Value	Estimated Useful Lives (Years)
Trademarks & brand extension	$1,684,000	10
Co-publishing relationship	998,000	7
Distribution relationship	631,000	7
Backlist	516,000	3
Customer relationships	197,000	7
Online & catalog	150,000	3
Non-compete agreement	74,000	4
Total	$4,250,000	
Less amortization	334,879	
Net intangible assets	$3,915,121	

Amortization expense charged to the operations of the Association was $334,879 for the year ended August 31, 2012. Amortization has been computed based on the estimated useful lives described above.

The estimated intangible assets amortization expense for each of the next five years is as follows:

2013	$ 669,757
2014	669,757
2015	558,757
2016	438,507
2017	429,257
Thereafter	1,149,086
Total	$3,915,121

NOTE I - GOODWILL

The Association applies the acquisition method of accounting for business combinations. Under this method, all assets and liabilities acquired in a business combination, including goodwill, are recorded at fair value. The purchase price allocation requires subjective judgments concerning estimates of the fair value of the acquired assets and liabilities. Goodwill consists principally of the excess of cost over the fair value of net assets acquired in business combinations, as further described in Note D, and is not amortized. The Association performs an annual impairment analysis of goodwill and concluded that there was no impairment at August 31, 2012.

NOTE J - INVESTMENTS

The composition of the Association's investment portfolio at August 31 is as follows:

	2012		2011	
Type	Cost or amortized cost	Carrying value	Cost or amortized cost	Carrying value
Short-term investments				
Cash	$ 742,334	$ 742,334	$ 1,044,498	$ 1,044,498
Corporate bonds	3,503,236	3,673,747	3,185,751	3,442,475
U.S. Government securities	9,207,590	9,412,248	10,154,243	10,646,633
Total short-term investments	$13,453,160	$13,828,329	$14,384,492	$15,133,606

	2012		2011	
Type	Cost or amortized cost	Carrying value	Cost or amortized cost	Carrying value
Long-term investments				
Cash	$ 714,363	$ 714,363	$ 812,471	$ 812,471
Common stock	10,279,795	11,904,210	13,183,728	13,248,153
Corporate bonds	13,559,521	13,891,319	10,205,406	10,660,076
U.S. Government securities	2,604,148	2,696,505	2,926,771	3,027,158
Fund of funds hedge fund	3,137,969	3,354,419	3,137,968	3,525,040
Precious metal exchange-traded funds	-	-	21,699	37,720
Total long-term investments	$30,295,796	$32,560,816	$30,288,043	$31,310,618

Investments valued at NAV as of August 31, 2012 and 2011, consisted of the following:

	2012			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds hedge fund (a)	$3,354,419	$ -	Quarterly	Up to 120 days
Total investments recorded at NAV	$3,354,419	$ -		

	2011			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds hedge fund (a)	$3,525,040	$ -	Quarterly	Up to 120 days
Total investments recorded at NAV	$3,525,040	$ -		

(a) The objective of this fund is to preserve capital while generating consistent long-term appreciation across all market cycles. The fund of funds hedge fund invests all of its assets in a master fund which provides investors the ability to more easily approximate a multi-manager portfolio, thus providing exposure to a variety of investment styles and philosophies. Requested withdrawals are subject to a 5% hold-back provision until the fund's next audit cycle is completed.

Investment return consists of the following for the years ended August 31:

	2012	2011
Net change in unrealized gain on investments	$1,004,400	$ 265,139
Net realized gain on the sale of investments	57,754	1,654,265
	1,062,154	1,919,404
Dividends and interest income	1,344,857	1,535,283
	$2,407,011	$3,454,687

NOTE K - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to measure the carrying value of each class of financial instruments appearing on the accompanying statements of financial position for which it is practical to estimate the fair value.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of money market accounts and are carried at amortized cost, which approximates fair value.

Accounts and Grants Receivable

Accounts and grants receivable are shown net of allowance for uncollectible amounts, and are reflected at their approximate fair value.

Investments

Investments are stated at fair value, except for investments in cash, which are at amortized cost. Investments with values that are based on quoted market prices in active markets and are, therefore, classified within Level 1, include active listed equities, certain U.S. Government and sovereign obligations, corporate bonds, precious metal commodities and certain money market securities. The Association does not adjust the quoted price for such instruments, even in situations where the Association holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within Level 2. These include certain U.S. Government and sovereign obligations, government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include hedge funds, private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities backed by either commercial or residential real estate. When observable prices are not available for these securities, the Association uses one or more valuation techniques.

Short-term investments are available for short-term operations and long-term investments are investments intended to be held more than one year. Investment purchases and sales are recorded as of the trade date.

Interest Rate Swap Agreements

The fair value of the interest rate swap agreement is based on a quoted market price, which reflects the present value of the difference between estimated future fixed-rate payments and future variable-rate receipts. The interest rate swap was terminated on June 27, 2012 and paid off by the Association.

Deferred Revenue

The carrying amount recorded approximates the fair value and is based upon the publication subscriptions, membership dues, conference fees, and grants and awards received in advance and not yet deemed to be earned by the Association.

Bonds Payable

The fair value of the variable rate bonds payable is presumed to approximate the carrying value.

The following table summarizes the fair value of assets and liabilities by level as of August 31:

	2012			
	Level 1	Level 2	Level 3	Total
Assets				
Common stock	$11,685,213	$ 218,997	$ -	$11,904,210
U.S. Government securities	7,085,043	5,023,710	-	12,108,753
Corporate bonds	12,726,110	4,838,956	-	17,565,066
Fund of funds hedge fund	-	-	3,354,419	3,354,419
Total assets at fair value	$31,496,366	$10,081,663	$3,354,419	$44,932,448

	2011			
	Level 1	Level 2	Level 3	Total
Assets				
Common stock	$12,533,901	$ 714,252	$ -	$13,248,153
U.S. Government securities	8,453,517	5,220,274	-	13,673,791
Corporate bonds	12,212,163	1,890,388	-	14,102,551
Fund of funds hedge fund	-	-	3,525,040	3,525,040
Precious metal exchange-traded funds	-	-	37,720	37,720
Total assets at fair value	$33,199,581	$ 7,824,914	$3,562,760	$44,587,255
Liabilities				
Interest rate swap	$ -	$ (273,099)	$ -	$ (273,099)
Total liabilities at fair value	$ -	$ (273,099)	$ -	$ (273,099)

The changes in investments included in Level 3 assets and liabilities measured at fair value are summarized as follows:

Balance, August 31, 2010	$3,190,062
Total net gains included in revenue, gain and other support over expenses	372,698
Balance, August 31, 2011	3,562,760
Total net losses included in revenue, gain and other support over expenses	(208,341)
Balance, August 31, 2012	$3,354,419

NOTE L - ENDOWMENT NET ASSETS

The Association's endowment consists of approximately 12 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Executive Board to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Executive Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Executive Board of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.

2. The purposes of the Association and the donor-restricted endowment fund.

3. General economic conditions.

4. The possible effects of inflation and deflation.

5. The expected total return from income and the appreciation of investments.

6. Other resources of the Association.

7. The investment policies of the Association.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature would be reported in unrestricted net assets. These deficiencies could result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions or continued appropriation for certain programs that may be deemed prudent by the Executive Board. There were no such deficiencies as of August 31, 2012 or 2011.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Executive Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an average rate of return of approximately 5% percent annually. Actual returns in any given year may vary from this amount.

For the year ended August 31, 2011 and prior years, the Executive Director was authorized to include in the preparation of the Association's annual budget (1) interest and dividend income generated annually in the Association's Future Fund or (2) up to but not to exceed 50% of the five-year moving average of the appreciation realized in the Association's Future Fund less any interest and dividend income transferred to the operating fund. Additionally, the Executive Directors of the divisions and the liaisons for the round tables were authorized to include in the preparation of their annual budgets (1) interest and dividend income generated annually or (2) up to but not to exceed 50% of the five-year moving average of the appreciation realized in their respective unrestricted funds. The 50% five-year moving average is calculated by averaging the interest, dividends and market gains (realized/unrealized) less bank fees, other investment related expenses and any interest and dividends that have been transferred to the operating budget during the prior five years. This calculation excludes any contributions or withdrawals made over the trailing five-year period. Withdrawals using the net 50% five-year moving average do not require repayment.

Effective September 1, 2011, the annual spending formula is based on a range of 3% to 5% of the trailing five-year quarterly (20) rolling average of each funds calendar year-end net asset balance.

Endowment net asset composition as of August 31, 2012 and 2011 is as follows:

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$1,232,036	$514,700	$1,746,736
Board-designated endowment funds	12,834,165	-	-	12,834,165
Total funds	$12,834,165	$1,232,036	$514,700	$14,580,901

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$1,291,870	$514,700	$1,806,570
Board-designated endowment funds	12,592,738	-	-	12,592,738
Total funds	$12,592,738	$1,291,870	$514,700	$14,399,308

Changes in endowment net assets for the fiscal years ended August 31, 2012 and 2011 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, August 31, 2010	$12,161,934	$1,344,441	$514,700	$14,021,075
Additions and transfers	2,878	-	-	2,878
Dividends and interest	78,118	13,772	-	91,890
Net gains (realized and unrealized)	727,926	29,112	-	757,038
Appropriation of endowment assets for expenditures	(378,118)	(95,455)	-	(473,573)
Endowment net assets, August 31, 2011	12,592,738	1,291,870	514,700	14,399,308
Additions and transfers	3,428	-	-	3,428
Dividends and interest	6,543	13,450	-	19,993
Net gains (realized and unrealized)	379,008	10,393	-	389,401
Appropriation of endowment assets for expenditures	(147,552)	(83,677)	-	(231,229)
Endowment net assets, August 31, 2012	$12,834,165	$1,232,036	$514,700	$14,580,901

NOTE M - LINE OF CREDIT

The Association has a $2,500,000 unsecured line of credit with a bank, which is due on demand. Under the terms of the agreement, interest on amounts borrowed is payable at the bank's prime rate of interest. As of August 31, 2012 and August 31, 2011 there was no outstanding balance on the line of credit.

NOTE N - EMPLOYEE RETIREMENT PLANS

The Association has a defined contribution retirement plan covering all regular full-time employees who have completed two years of service. Contributions to the plan are used to purchase separate annuity contracts for each participating employee. The Association provides a contribution to all participants equal to 4% of annual base salary. Additional voluntary contributions up to 3% of annual base salary are shared equally by the Association and employees. The cost of this plan, which is included in payroll expenses, was $984,933 and $952,457 in 2012 and 2011, respectively.

The Association offers deferred compensation plans under Internal Revenue Code 457(b) and 457(f) to a select group of management. The Association has recorded a liability of $0 and $16,500 at August 31, 2012 and 2011, related to these deferred compensation plans.

These amounts are included in accrued liabilities in the accompanying statements of financial position.

NOTE O- COMMITMENTS AND CONTINGENCIES

The Association leases certain office facilities and equipment.

Operating Leases

The future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of August 31, 2012, are as follows:

Years ending August 31,	
2013	$135,704
2014	112,128
2015	60,001
2016	5,899
2017	-
Thereafter	-
Total	$313,732

Total rental expenses under operating leases were $236,079 and $239,310 in 2012 and 2011, respectively.

Capital Leases

The future minimum lease payments under capital leases are as follows:

Years ending August 31,

2013	$273,020
2014	229,938
2015	167,255
2016	103,906
2017	29,853
Thereafter	-
	803,972
Less amount representing interest	94,947
Total	$709,025

Property recorded under the capital leases included the following amounts at August 31, 2012 and 2011:

	2012	2011
Assets	$1,402,044	$737,745
Accumulated depreciation	702,649	403,851
Net capitalized lease property	$ 699,395	$333,894

NOTE P - LONG-TERM DEBT

On July 2, 2012 the Association obtained a term loan from a financial institution in the amount of $10,100,000.

The loan is to support the acquisition of Neal-Schuman Publishers Inc., to refinance the series 2006 Variable Rate Revenue Bonds, refinance a term loan related to a commercial condo office in Connecticut, to fund an interest rate swap termination payment, and to fund certain costs of issuance. The terms of the long-term refinancing consist of annual principal payments each July and monthly interest payments calculated at 3.5% provided the Association meets required covenants and limitations on additional indebtedness.

In 2006, the District of Columbia issued variable rate revenue bonds, Series 2006 (0.258% and 0.301% weighted-average rate during 2012 and 2011, respectively), maturing in varying annual installments through 2035. Proceeds from sale of the bonds were loaned to the Association.

The Association entered into a fixed/floating interest rate swap agreement with Bank of America, N.A. (the "Bank") that provides for a monthly fixed interest rate of 3.205% to be paid by the Association and a monthly floating rate, 67% of USD-LIBOR-BBA, to be paid by the Bank on the outstanding principal balance. The agreement is secured by the office condominium and five parking spaces at 1615 New Hampshire Avenue N.W., Washington, D.C. The market value of the interest rate swap was $0 and $(273,099) at August 31, 2012 and 2011, respectively. The related liability is included in accrued liabilities in the consolidated statements of financial position.

On July 2, 2012 the Association secured new loan financing and repaid the revenue bonds outstanding principal balance of $2,706,430. As a result of the early payoff, the Association incurred $235,000 to pay off the interest rate swap agreement.

Under the terms of the long-term debt arrangement, certain specified payments are required for bond redemption and interest payments. The terms of the long-term debt arrangement require, among other provisions, the maintenance of various financial ratios and place limitations on additional indebtedness and pledging of assets.

In 2009, the Association obtained a term loan amounting to $2,000,000 related to the acquisition of a commercial office condominium in Middletown, Connecticut. Terms of the loan require equal monthly payments of principal and interest until February 18, 2016, with the unpaid principal balance due at that date. The loan bears interest at LIBOR plus 2.25 percentage points adjusted on the first day of every month. The terms of the loan require maintenance of various financial ratios and limitations on additional indebtedness and pledging of assets. The loan is collateralized by the commercial office condominium. On July 2, 2012 the Association secured new term loan financing and repaid the outstanding principal balance of the original term loan in the amount of $1,586,860.

Maturities of long-term debt are as follows:

Years ending August 31,	
2013	$647,500
2014	647,500
2015	647,500
2016	1,147,500
2017	1,147,500
Thereafter	5,862,500
Total	$10,100,000

Interest expense amounted to $235,523 and $150,693 in 2012 and 2011, respectively.

NOTE Q - TAXES

The Association is a tax-exempt organization under Section 501(c)(3) of the IRC. The ALA/APA is exempt under Section 501(c)(6) of the IRC. Section 501(c)(3) and Section 501(c)(6) organizations are taxed only on income classified as unrelated business income. The ALA/APA does not currently have any unrelated business income. The Association has income derived from certain advertising activities that has been determined to be unrelated business income. Unrelated business income is taxed in accordance with Federal and state income tax regulations. There was no provision for unrelated business income taxes in 2012 or 2011. The tax years ended 2008, 2009 and 2010 are still open to audit for both Federal and state purposes.

NOTE R - OTHER POST-RETIREMENT EMPLOYEE BENEFITS

The Association maintains a voluntary contributory plan providing post-retirement healthcare and non-contributory post-retirement life insurance. The Association's employees who meet certain age and service requirements at the time of their retirement are eligible to participate. Participants can select coverage from one of three medical plans, only one dental plan is available. In 2011 the plan was amended to provide retiree health insurance benefits to employees who reach 65 with 5 years of service. Prior to amendment the plan allowed coverage to employees who had reached 65 with 5 years of service or who reached 55 with 20 years of service. The Association's post-retirement plan is unfunded.

The following table presents the amounts related to the plan recognized in the Association's consolidated statements of financial position as of August 31:

	2012	2011
Benefit obligation, beginning of year	$17,548,168	$16,499,412
Service cost	635,889	708,726
Interest cost	949,549	894,537
Actuarial loss (gain)	(1,243,585)	1,262,200
Plan amendments	-	(1,534,769)
Retiree contributions	158,767	152,906
Medicare Part D subsidy	29,904	30,000
Benefits paid, net of Medicare Part D subsidy	(481,939)	(464,844)
Benefit obligation, end of year	$17,596,753	$17,548,168

The current portion of the benefit obligation at August 31, 2012 and 2011, is $470,217 and $567,285, respectively, and is included in accrued liabilities in the accompanying consolidated statements of financial position.

The summary of the changes in plan assets as of August 31, 2012 and 2011, is as follows:

	2012	2011
Plan assets at fair value, beginning of year	$ -	$ -
Retiree contributions	158,767	152,906
Medicare Part D subsidy	29,904	30,000
Employer contributions, net of Medicare Part D subsidy	293,268	281,938
Benefits paid	(481,939)	(464,844)
Plan assets at fair value, end of year	$ -	$ -
Funded status at end of year	$(17,596,753)	$(17,548,168)

The Association anticipates contributions of $470,217 to plan assets will be made during 2013. Estimated benefit payments are $470,217 in 2013, $546,084 in 2014, $622,079 in 2015, $680,288 in 2016, $674,879 in 2017 and $3,849,727 in 2018 through 2022.

Net periodic benefit cost is comprised of the following:

	2012	2011
Service cost	$ 635,889	$ 708,726
Interest cost	949,549	894,537
Amortization of unrecognized prior service cost	(113,322)	(16,000)
	$ 1,472,116	$ 1,587,263

Amounts that have not yet been recognized as a component of net periodic benefit cost consist of the following at August 31:

	2012	2011
Prior service cost	$ (1,456,447)	$ (1,569,769)
Net loss	1,205,280	2,448,865
Total included in unrestricted net assets	$ (251,167)	$ 879,096

Other post-retirement employee benefit-related costs (credits) other than net periodic post-retirement cost recognized in the consolidated statements of operations are as follows at August 31:

	2012	2011
Benefit related changes other than net periodic benefit credit		
Net actuarial loss (gain)	$(1,243,585)	$ 1,262,200
Prior service cost credit established during the year due to plan amendments	-	(1,534,769)
Amortization of previously unrecognized prior service cost	113,322	16,000
Total benefit-related changes other than net periodic benefit cost	$(1,130,263)	$ (256,569)

Assumptions as of August 31, 2012 and 2011, used to determine the benefit obligation are as follows:

	2012	2011
Weighted-average discount rate	4.5%	5.5%

The gross weighted-average annual assumed rate of increase in the per capita cost of covered benefits (healthcare cost trend rate) is 8% for 2012 and is assumed to decrease gradually to 5% for 2023 and remain at that level thereafter. The gross dental trend rate is 5% for 2012 and is assumed to remain at that level thereafter. A 1% increase in the healthcare cost trend rate would increase the benefit obligation by $3,348,994 and a 1% decrease would decrease the benefit obligation by $2,627,756. Additionally, a 1% increase in the healthcare cost trend rate would increase combined service and interest cost by $349,740, and a 1% decrease would decrease combined service and interest cost by $267,690.

NOTE S - FUNCTIONAL EXPENSES

Expenses incurred by the Association for the years ended August 31 were for the following purposes:

	2012	2011
Program services	$46,388,527	$43,179,279
General and administrative activities	3,691,827	4,538,670
Fundraising activities	314,796	354,742
	$50,395,150	$48,072,691

NOTE T - SUBSEQUENT EVENTS

The Association evaluated its August 31, 2012 consolidated financial statements for subsequent events through January 28, 2012, the date the financial statements were issued. The Association is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.

SINGLE AUDIT REPORTS AND SCHEDULES

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INDEPENDENT AUDITORS' REPORT

Executive Board
American Library Association

We have audited the financial statements of American Library Association, as of and for the year ended August 31, 2012, and have issued our report thereon dated January 28, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mueller & Co., LLP

Chicago, Illinois
January 28, 2013

Certified Public Accountants ■ Business Advisors
Offices in Elgin, Oakbrook Terrace, and Chicago

American Library Association
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended August 31, 2012

Federal grantor/pass-through grantor/program title	CFDA number	Pass-through Identification number	Federal Expenditures
Department of Education			
Passed through Synergy	84.XXX	ED05CO0049	$ 32,156
Department of Justice			
Kids Count #3	16.580	N/A	5,471
National Aeronautics and Space Administration			
Passed through Space Telescope Science Institute Traveling Exhibition	43.XXX	STScI Order 44917	34,160
Passed through The Smithsonian Astrophysical Observatory Traveling Exhibition	43.XXX	10S TO - 400-0000 195943	995
Total National Aeronautics and Space Administration			35,155
Institute of Musuem and Library Services			
Laura Bush 21st Century Librarian Program			
Library Support Staff Certification #2	45.313	N/A	163,638
Leadership Development	45.313	N/A	732
Discovering Librarianship	45.313	N/A	48,265
Total Laura Bush 21st Century Librarian Program			212,635
National Leadership Grants			
Library Demo	45.312	N/A	232,208
Story Corp planning grant	45.312	N/A	33,968
Value of Academic Libraries	45.312	N/A	99,985
Summer Reading App	45.312	N/A	8,000
Total National Leadership Grants			374,161
Total Institute of Musuem and Library Services			586,796
Library of Congress			
National Library Services for the Blind and Physically Handicapped	42.XXX	N/A	19,227
National Science Foundation			
Passed through Space Science Institute Traveling Exhibition	47.XXX	DRL-1010844	121,090
National Endowment for the Arts			
GSA Author Tour	45.024	N/A	9,824
National Endowment for the Humanities			
Promotion of the Humanities - Public Programs			
Pride & Passion: African - American Baseball Exhibition	45.164	N/A	91,564
Ben Franklin: Search for a Better World	45.164	N/A	38,167
Louisa May Alcott - Outreach Programs in Libraries	45.164	N/A	61,107
Muslim Worlds Focus Groups	45.164	N/A	18,252
Muslim Worlds Evaluation Grant	45.164	N/A	21,659
Bookshelf: Muslim Lives	45.164	N/A	173,156
Passed through Huntington Library - Forever Free: Lincoln Project I	45.164	GL-22129-02	4,013
Passed through Shakespeare Library - Manifold Greatness: The Creation and Afterlife of King James Bible	45.164	GI-50262-10	68,116
Passed through Tribeca Film Institute - America's Music: A film history from Bluegrass to Broadway	45.164	GI-50374-11	12,593
Passed through Newberry Library - Lewis and Clark Indian Country Exhibition	45.164	LI-50076-06	8,666
Passed through Boston Public Library - John Adams Unbound Traveling Exhibition	45.164	LI-50370-07	25,014
Pass-through - National Constitution Center			
The Constitution and the Civil War	45.164	GI-50031-08	35,739
Lincoln the Constitution & the Civil War Supplement	45.164	GI-50031-08	17,346
Lincoln the Constitution & the Civil War Supplement 2	45.164	GI-50031-08	257,180
Total Promotions of the Humanities - Public Programs			832,572
Promotions of the Humanities - We the People			
We the People Picturing America 3	45.168	N/A	24,351
We the People Picturing America 2X	45.168	N/A	62,251
WNET - PA Conference	45.168	N/A	8,098
LTAI - Civil War 150	45.168	N/A	369,159
Total Promotions of the Humanities - We the People			463,859
Total National Endowment for the Humanities			1,296,431
Total expenditures of Federal Awards			$ 2,106,150

AMERICAN LIBRARY ASSOCIATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AUGUST 31, 2012

NOTE 1 – SINGLE AUDIT REPORTING ENTITY

American Library Association (the Association) received Federal and state funding through grants and contracts with certain Federal and state agencies and subcontractors with various other agencies. All expenditures related to the Federal awards are included in the scope of U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Not-Profit Organizations*.

NOTE 2 – BASIS OF ACCOUNTING

The schedule of expenditures of Federal awards has been presented on an accrual basis of accounting. Expenditures are recorded, accordingly, when incurred rather than when paid.

NOTE 3 – CATEGORIZATION OF EXPENDITURES

The schedule of expenditures of Federal awards reflects Federal expenditures for all individual grants that were active during the year. The categorization of expenditures by program included in the schedule of expenditures of Federal awards is based on the Catalog of Federal Domestic Assistance (CFDA). Changes in the categorization of expenditures occur based on revisions to the CFDA, which are issued annually. In accordance with the Association's policy, the schedule of expenditures of Federal awards for the fiscal year ended August 31, 2012, reflects CFDA changes issued through August 2012.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Executive Board
American Library Association

We have audited the financial statements of American Library Association (the Association) as of and for the year ended August 31, 2012, and have issued our report thereon dated January 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be a material weakness.

Certified Public Accountants ■ Business Advisors
Offices in Elgin, Oakbrook Terrace, and Chicago

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The Associations's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Association's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Executive Board, others within the Association, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mueller & Co., LLP

Chicago, Illinois
January 28, 2013

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Executive Board
American Library Association

Compliance

We have audited American Library Assocation's (the Association) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended August 31, 2012. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Association's management. Our responsibility is to express an opinion on the Association's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Association's compliance with those requirements.

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Executive Board, others within the Association federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mueller & Co., LLP

Chicago, Illinois
January 28, 2013

AMERICAN LIBRARY ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

AUGUST 31, 2012

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's reports issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency(ies) identified not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards Section

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be a material weakness?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
45.312	Institute of Museum and Library Services - National Leadership Grants
45.164	National Endowment for the Humanities - Promotion of the Humanities – Public Programs

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

II. Financial Statement Finding
Finding 2012-1 – Segregation of duties and access to financial reporting systems

Criteria

An entities internal control structure should have controls in place which limits an individuals ability to initiate, review and record entries or adjustments to the financial reporting system without prior review from other finance personnel. Also, individual access to specific financial reporting system programs should be restricted to only allow individuals access to their appropriate job functions.

Condition

Inappropriate segregation of duties and access to financial reporting systems existed as follows –

- Individuals had greater access in MS Dynamics Great Plains than what is required to perform their job functions
- An individual had the ability to set-up vendors, print checks and upload the positive pay file to the online bank account
- Individuals had the ability to review and alter the national automated clearing house association (NACHA) bank files before upload to the online bank account
- An individual was uploading information for positive pay to the NACHA bank website and the reviewer was only reviewing the printed handouts provided and not reviewing amounts in NACHA bank upload.

Context

The conditions noted above were as a result of findings noted during our review of obtaining our overall understanding of the Associations internal control structure.

Effect

Absences of preventive controls surrounding segregation of duties and financial reporting information systems have the potential of increasing the likelihood that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis.

Cause

Implementation of new accounting system (Sharepoint and MS Dynamics Great Plains) and the interaction of that new accounting systems with financial reporting information systems.

Recommendation

We recommend that management review and segregate the responsibilities of individuals within the finance department to ensure that each individuals access to the financial reporting system is limited to their specific functions. This would best be accomplished by implementing preventive controls within the financial reporting systems (i.e. access restrictions, passwords and other controls as deemed appropriate) and evaluating each individuals job responsibilities to ensure a proper segregation of duties exists for all transactions.

Views of Responsible Officials and Planned Corrective Actions

Management concurs with the recommendations and has implemented a plan to strengthen controls as follows:

1. Additional accounting personnel have been hired to alleviate segregation of duties issues as well as allow for additional monitoring of internal controls. The Director of Financial Reporting and Compliance joined the association on December 17, 2012 and the Accounting Manager joined on January 7, 2013. In addition, access to certain systems, files, and data has been identified for further segregation of duties.

   The Association is in the process of updating policies with stronger controls to ensure ALA accounting personnel have appropriate procedures in place to prevent, detect and correct errors on a timely basis in the normal course of performing their duties. The Association is in the process of expanding ALA management's monitoring of the performance of certain control activities.

2. A detailed review has been performed of access rights in MS Dynamics Great Plains, standard security roles have been established, and users affected will be assigned the appropriate rights.
3. The Accounting Manager will perform a periodic review of all new vendors and changes to the vendor file.
4. As of November 1, 2012, a restricted access network drive has been created for the NACHA bank files. Access has been restricted to a limited number of accounting personnel designated by Finance. The Association is currently working to add the vendor name to the NACHA bank files. The NACHA bank files will be converted to a read-only file.

5. The process for review and release of the NACHA bank upload file has been modified as follows:
    a. Sr. A/P specialist uploads the NACHA file to a restricted access network file and prints the batch
    b. A/P specialist compares the file to A/P documents and approves
    c. Sr. A/P specialist selects the batch from a restricted access file and uploads to the bank's website using her secure login and a new print-out is forwarded to the Accounting Manager
    d. Accounting Manager, after review and approval, releases the bank file to JPMorgan.

Part III – Federal Award Findings and Questioned Costs

None noted

Finding 2011-1	**Financial Reporting – Restatement**
Criteria or specific requirement (including statutory, regulatory or other citation):	Leasing transactions are required to be recorded in compliance with Accounting Standards Codification Section 840, Leases.
Condition:	During the prior year audit, the Association restated its financial statements for the year ended August 31, 2010, because certain capital leases had been recorded as operating leases.
Prior-Year Corrective Action Plan:	Management will develop communications with legal counsel, external auditor and other relevant professionals in advance of unusual and complex transactions to ensure proper recording in the accounting records and financial reports. In addition, relevant staff will pursue professional education opportunities to augment their understanding of current accounting.
Status of Finding:	This finding was not repeated during the fiscal year 2012.

Finding 2011-2	**Reports required by Grants Agreements not submitted by date specified**
Criteria or specific requirement (including statutory, regulatory or other citation):	Grant agreements contain certain reporting requirements. These requirements are consistent with A-102 Common Rule and OMB Circular A-110
Condition:	The Association did not submit a report by the required deadline.
Prior-Year Corrective Action Plan:	The accounting manager has been and continues to monitor/collaborate with the Association personnel responsible for the grant to ensure compliance with reporting requirements of the grant agreements. During the current year, a new financial accounting system was implemented to allow the Association to systematically track due dates and will send notices to the program officer and accounting manager detailing report due dates.
Status of Finding:	This finding was not repeated during the fiscal year 2012.

MUELLER & CO., LLP

ASSURANCE

Elgin Oakbrook Terrace Chicago

AMERICAN LIBRARY ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF
INDEPENDENT CERTIFED PUBLIC ACCOUNTANTS

AUGUST 31, 2012 AND 2011

John Fedus
Partner

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CONTENTS

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INDEPENDENT AUDITORS' REPORT

Executive Board
American Library Association

We have audited the accompanying consolidated statement of financial position of the American Library Association (the Association) as of August 31, 2012 and the related statements of operations and changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of the Association for the year ended August 31, 2011, were audited by other auditors whose report, dated February 16, 2012, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Library Association as of August 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mueller & Co., LLP

Chicago, Illinois
January 28, 2013

American Library Association

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31,

ASSETS		2012		2011
CURRENT ASSETS				
Cash and cash equivalents	$	2,672,539	$	2,954,698
Short-term investments		13,828,329		15,133,606
Accounts receivable, less allowance for doubtful accounts and returns of $211,008 and $182,497 in 2012 and 2011, respectively		3,291,339		2,847,129
Inventories, less reserves of $517,183 and $402,434 in 2012 and 2011, respectively		1,817,155		1,214,071
Grants receivable		791,457		802,385
Prepaid expenses and other assets		658,632		659,748
Total current assets		23,059,451		23,611,637
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION		14,171,505		14,620,551
GOODWILL		2,326,567		-
INTANGIBLE ASSETS, LESS AMORTIZATION		3,915,121		-
LONG-TERM INVESTMENTS		32,560,816		31,310,618
TOTAL ASSETS	$	76,033,460	$	69,542,806

The accompanying notes are an integral part of the financial statements.

American Library Association

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

August 31,

LIABILITIES AND NET ASSETS	2012	2011
CURRENT LIABILITIES		
Accounts payable	$ 4,399,578	$ 3,256,913
Accrued liabilities	688,914	1,564,819
Deferred revenue		
Publication subscriptions	2,250,476	2,205,056
Membership dues	4,204,404	4,244,197
Conference fees	2,622,537	3,703,981
Grants and awards	3,469,339	2,722,372
Current portion of capital lease obligation	223,816	253,923
Current portion of long-term debt	647,500	215,945
Total current liabilities	18,506,564	18,167,206
CAPITAL LEASE OBLIGATION	485,209	97,851
LONG-TERM DEBT	9,452,500	4,179,673
NON-CURRENT PORTION OF ACCRUED POST-RETIREMENT BENEFITS	17,126,536	16,980,883
Total liabilities	45,570,809	39,425,613
NET ASSETS		
Unrestricted	24,899,115	24,309,560
Temporarily restricted	5,048,836	5,292,933
Permanently restricted	514,700	514,700
Total net assets	30,462,651	30,117,193
TOTAL LIABILITIES AND NET ASSETS	$ 76,033,460	$ 69,542,806

The accompanying notes are an integral part of the financial statements.

American Library Association
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended August 31, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support				
Operating revenues				
Membership dues	$ 8,621,239	$ -	$ -	$ 8,621,239
Sales of books and materials	8,253,186	4,200	-	8,257,386
Subscriptions	4,438,922	-	-	4,438,922
Advertising	5,322,617	-	-	5,322,617
Meetings and conferences	12,080,405	-	-	12,080,405
Grants	4,846,040	904,358	-	5,750,398
Contributions	1,019,713	169,470	-	1,189,183
Dividends and interest income				
Short-term investments	751,945	-	-	751,945
Long-term investments	571,601	21,311	-	592,912
Other	2,623,117	8,693	-	2,631,810
Total operating revenues	48,528,785	1,108,032	-	49,636,817
Net assets released from restrictions				
Satisfaction of program restrictions	1,362,520	(1,362,520)	-	-
Total revenues and other support	49,891,305	(254,488)	-	49,636,817
Expenses				
Payroll	21,373,228	-	-	21,373,228
Outside services	7,608,159	-	-	7,608,159
Travel	2,227,428	-	-	2,227,428
Meetings and conferences	6,355,523	-	-	6,355,523
Publications	4,934,377	-	-	4,934,377
Operating	7,554,582	-	-	7,554,582
Post-retirement benefits	1,472,116	-	-	1,472,116
Total expenses	51,525,413	-	-	51,525,413
Other post-retirement employee benefit-related credit other than net periodic post-retirement cost	1,130,263	-	-	1,130,263
Expenses in excess of operating revenues and other support	(503,845)	(254,488)	-	(758,333)
Non-operating				
Net realized and change in unrealized gains				
Short-term investments	22,485	-	-	22,485
Long-term investments	1,029,278	10,391	-	1,039,669
Change in fair value of swap agreement	38,099	-	-	38,099
Change in investment in related party	3,538	-	-	3,538
CHANGE IN NET ASSETS	589,555	(244,097)	-	345,458
Net assets, beginning of year	24,309,560	5,292,933	514,700	30,117,193
Net assets, end of year	$ 24,899,115	$ 5,048,836	$ 514,700	$ 30,462,651

The accompanying notes are an integral part of the financial statements.

American Library Association
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended August 31, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support				
Operating revenues				
Membership dues	$ 8,656,744	$ -	$ -	$ 8,656,744
Sales of books and materials	7,019,542	-	-	7,019,542
Subscriptions	4,600,175	-	-	4,600,175
Advertising	5,266,933	-	-	5,266,933
Meetings and conferences	10,021,000	-	-	10,021,000
Grants	4,609,249	742,874	-	5,352,123
Contributions	1,147,725	301,883	-	1,449,608
Dividends and interest income				
Short-term investments	851,496	-	-	851,496
Long-term investments	669,207	14,580	-	683,787
Other	2,675,051	5,161	-	2,680,212
Total operating revenues	45,517,122	1,064,498	-	46,581,620
Net assets released from restrictions				
Satisfaction of program restrictions	1,187,230	(1,187,230)	-	-
Total revenues and other support	46,704,352	(122,732)	-	46,581,620
Expenses				
Payroll	20,938,781	-	-	20,938,781
Outside services	6,687,090	-	-	6,687,090
Travel	1,731,608	-	-	1,731,608
Meetings and conferences	6,258,656	-	-	6,258,656
Publications	4,752,007	-	-	4,752,007
Operating	6,373,855	-	-	6,373,855
Post-retirement benefits	1,587,263	-	-	1,587,263
Total expenses	48,329,260	-	-	48,329,260
Other post-retirement employee benefit related credit other than net periodic post-retirement cost	256,569	-	-	256,569
Expenses in excess of operating revenues and other support	(1,368,339)	(122,732)	-	(1,491,071)
Non-operating				
Net realized and change in unrealized (losses) gains				
Short-term investments	(3,222)	-	-	(3,222)
Long-term investments	1,893,514	29,112	-	1,922,626
Change in fair value of swap agreement	20,061	-	-	20,061
Change in investment in related party	20,941	-	-	20,941
CHANGE IN NET ASSETS	562,955	(93,620)	-	469,335
Net assets, beginning of year	23,746,605	5,386,553	514,700	29,647,858
Net assets, end of year	$ 24,309,560	$ 5,292,933	$ 514,700	$ 30,117,193

The accompanying notes are an integral part of the financial statements.

American Library Association
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended August 31,

		2012		2011
Cash flows from operating activities				
Change in net assets	$	345,458	$	469,335
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation and amortization-Property and Equipment		2,597,130		2,133,656
Amortization-Intangible Assets		334,879		-
Net realized and change in unrealized (gains) losses				
Short-term investments		(22,485)		3,222
Long-term investments		(1,039,669)		(1,922,626)
Change in investment in related party		(3,538)		(20,941)
Increase (decrease) in allowance for doubtful accounts and returns		28,511		(96,322)
Increase (decrease) in reserve for inventories		114,749		(11,516)
Changes in operating assets and liabilities				
Accounts receivable		(472,721)		747,388
Inventories		(717,833)		46,237
Grants receivable		10,928		57,525
Prepaid expenses and other assets		1,116		189,442
Accounts payable		1,142,665		181,479
Accrued liabilities		(872,367)		(92,598)
Deferred revenue		(328,850)		1,357,831
Accrued post-retirement benefits		145,653		951,666
Net cash provided by operating activities		1,263,626		3,993,778
Cash flows from investing activities				
Purchase of property and equipment		(2,148,084)		(2,401,627)
Purchase of goodwill		(2,326,567)		-
Purchase of intangible assets		(4,250,000)		-
Purchase of long-term investments		(18,125,032)		(22,632,281)
Proceeds from sale of long-term investments		17,914,503		22,054,832
Purchase of short-term investments		(11,412,373)		(7,756,516)
Proceeds from sale of short-term investments		12,740,135		8,281,486
Net cash used in investing activities		(7,607,418)		(2,454,106)
Cash flows from financing activities				
Proceeds from issuance of long term debt		10,100,000		-
Proceeds from equipment lease agreement		449,831		-
Payments on capital lease obligations		(92,580)		(205,945)
Principal payments of long-term debt		(4,395,618)		(295,832)
Net cash provided by (used in) financing activities		6,061,633		(501,777)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(282,159)		1,037,895
Cash and cash equivalents, beginning of year		2,954,698		1,916,803
Cash and cash equivalents, end of year	$	2,672,539	$	2,954,698
Supplemental disclosure of cash flow information				
Cash paid for interest expense	$	225,478	$	204,931

The accompanying notes are an integral part of the financial statements.

NOTE A - PURPOSE OF ORGANIZATION

The accompanying consolidated financial statements represent the accounts of the American Library Association (the "Association") and its affiliate, the ALA Allied Professional Association, Inc. (the "ALA/APA").

The Association, a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code of 1986 (the "IRC") and the oldest and largest national library association in the world, is organized to promote libraries and librarianship. Governed by a council of 182 members (the "Council") and representing more than 57,500 personal and organizational members, the mission of the Association is to provide leadership for the development, promotion and improvement of library and information services and the profession of librarianship in order to enhance learning and ensure access to information for all.

The ALA/APA, governed by the Council, is organized to promote the mutual professional interests of librarians and other library workers. The ALA/APA was incorporated in July 2003 as a not-for-profit corporation under Section 501(c)(6) of the IRC. Significant intercompany transactions have been eliminated in consolidation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires the use of estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are assets whose use has been limited by donors to a specific time period or purpose. Assets released from restrictions are reported in the consolidated statements of operations and changes in net assets as additions to unrestricted net assets.

Permanently restricted net assets consist of amounts designated by donors to be held in perpetuity. Earnings, gains and losses on permanently restricted net assets are included in unrestricted revenue and other support unless restricted by donors.

Contributions

Contributions are considered to be available for the general programs of the Association unless specifically restricted by the donor. Contributions are recorded at fair value.

Unconditional promises of others to contribute cash or other assets are reported at fair value at the date the promise is made. The contributions are reported as either temporarily restricted net assets, if they are received with donor stipulations that limit the use of the contributed assets to a specific time period or purpose or permanently restricted net assets, if the contribution is to be held in perpetuity. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as unrestricted. Restricted earnings are recorded as additions to temporarily restricted net assets until such amounts are expended in accordance with the donor's specifications.

When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the accompanying consolidated statements of operations as net assets released from restrictions.

Grant Revenue

Grant revenue is recognized when the expenses have been incurred for the purpose specified by the grantor. Payments received in advance are initially recorded as deferred revenue. Grants that make payment on a reimbursement basis are included in grants receivable on the accompanying consolidated statements of financial position until the payment is received.

Revenue Recognition

Membership dues are recorded as revenue over the period for which such dues have been assessed. Revenue from publishing activities is recognized as follows: sales of books and other materials are recorded when the goods are shipped to a customer; subscriptions to publications are recorded over the respective subscription period; and advertising in publications is recorded when the publication is issued.

Registration fees for attending meetings, conferences and certain special projects are recorded as revenue at the time the related program takes place.

The Association receives significant amounts of membership dues, publication subscriptions and fees for meetings, conferences and special projects in advance of earning this revenue. The advance payments are accounted for as deferred revenue in the accompanying consolidated statements of financial position.

Advertising

Advertising costs are expensed as incurred.

Cash Equivalents

Cash equivalents consist of money market account deposits that are highly liquid and have a maturity of three months or less at the date of acquisition. Cash includes cash held in bank accounts with balances that exceed the Federal Deposit Insurance Corporation insured limits of $250,000. The Association has not experienced any losses in such accounts and management believes it is not exposed to significant financial risk.

Accounts Receivable

The Association evaluates the collectability of its accounts receivable based on the length of time the receivables are outstanding and the anticipated future collectible amounts based on historical experience. Accounts receivable are charged to the allowance for doubtful accounts when they are deemed uncollectible and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The Association does not require collateral.

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

<u>Level 1</u> - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

<u>Level 2</u> - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. These include swap agreements and investments for which quoted prices are available but which are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a Net Asset Value ("NAV") per share, or its equivalent, that may be redeemed at that NAV at the date of the consolidated statement of financial position or in the near term, which is generally considered to be within 90 days.

<u>Level 3</u> - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

Transfers between levels are recognized as of the end of the reporting period.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes observable input requires significant judgment by the Association. The Association considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

Inventories

Inventories primarily include books, pamphlets, posters and paper. Inventories are carried at the lower of cost (first-in, first-out basis) or market, and are recorded at an amount that includes direct expenses incurred in production. Indirect and copy editing costs are charged to expense as incurred.

Inventories are stated net of a reserve for excess and obsolete items. Reserves for obsolete inventories are based on estimated future usage as related to quantities of stock on hand. Consignment inventories are sold by the Association based upon sales agreements with two publishing companies.

Prepaid Expenses and Other Assets

Included in prepaid expenses and other assets are restricted funds held by a custodian. These amounts, used to satisfy monthly sinking fund requirements associated with the District of Columbia variable rate revenue bonds, totaled $0 and $7,500 at August 31, 2012 and 2011, respectively.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Capitalization occurs when the aggregate cost of property or equipment exceeds $1,000 and that property has an estimated useful life of three years or more. Buildings are depreciated over useful lives of 37 to 50 years, furniture and equipment are depreciated over useful lives of 3 to 10 years, and technology and related equipment are depreciated over useful lives of 3 to 5 years. Depreciation is provided using the straight-line method. Upon retirement or sale of assets, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged in determining the change in net assets.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2012-04, *"Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS"* ("ASU 2012-04"). ASU 2012-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and International Financial Reporting Standards. ASU 2012-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. ASU 2012-04 will be effective for the year ended August 31, 2013, with early adoption permitted. The Association believes that the adoption of this standard will not materially expand its consolidated financial statement footnote disclosures.

Reclassifications

Certain account balances have been reclassified in the 2011 consolidated financial statements to conform to 2012 presentation.

NOTE C - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2012 and 2011 are available for the following purposes:

	2012	2011
Preparation and publication of reading lists	$ 927,765	$ 957,642
Scholarships, awards and fellowships	4,001,784	4,208,098
Promotion of public libraries	90,291	97,484
Other	28,996	29,709
	$5,048,836	$5,292,933

During 2012 and 2011, net assets were released from donor restrictions by incurring expenses satisfying the donor's restrictions or by occurrence of other events specified by donors, as follows:

	2012	2011
Purpose restrictions accomplished		
Preparation and publication of reading lists	$ 36,190	$ 46,373
Scholarships, awards and fellowships	1,318,012	1,132,403
Promotion of public libraries	7,413	7,518
Other	905	936
	$1,362,520	$1,187,230

As of August 31, 2012 and 2011, the Association's permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support the following purposes:

	2012	2011
Preparation and publication of reading lists	$100,000	$100,000
Scholarships, awards and fellowships	411,700	411,700
Other	3,000	3,000
	$514,700	$514,700

NOTE D - ACQUISITIONS

On December 23, 2011, the Association acquired the net assets of Neal Schuman Publishers, Inc. for a total purchase price of $7,058,918 funded through operating cash and a term loan. The purchase was accounted for under the acquisition method of accounting, whereby the underlying assets acquired were recorded at their fair value. The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill of $2,326,567. The primary reason for acquiring Neal Schuman Publishers, Inc. was to grow the Association through strategic acquisitions, and expand its book publishing products beyond the Association's current customer base.

The following schedule summarizes the fair value of the assets acquired and liabilities assumed:

Accounts receivable	$ 85,201
Inventories	667,293
Intangible assets	4,250,000
Goodwill	2,326,567
Total Assets	$7,329,061
Accounts payable	$ 61,593
Other Liabilities	208,550
Total Liabilities	270,143
Net Asset Purchase	$7,058,918

The Association has obtained a term loan from a financial institution in the amount of $10,100,000 of which $5,800,000 was used toward the net asset purchase of Neal Schuman Publishers, Inc.

NOTE E - INVESTMENT IN RELATED PARTY

The Association is a participant, with two other organizations, in a publishing venture. The three participating organizations (the "Participant(s)") each own, as tenants in common, one-third shares of the copyright created by the efforts of this related party. Under a separate agreement, a committee was established to administer a fund (the "Fund") and to apply the assets of the Fund toward making amendments and revisions to the copyrighted materials, and to fund future product development, travel and administrative support. Each Participant is obligated to remit to the Fund a royalty of 10% of the Participant's sales of the copyrighted material. The Association serves as custodian for the Fund on behalf of the Participants.

At August 31, 2012 and 2011, the Association has a $297,000 net receivable (net of $52,000) and a $267,000 receivable (net of $60,000 in allowance reserves), respectively, from the Fund for expenditures paid. Total amounts paid by the Association to the Fund for royalties during the years ended August 31, 2012 and 2011, were $45,888 and $46,230, respectively. For 2012 and 2011, the Association's portion of the Fund's net income was $3,538 and $20,941, respectively, which is reflected in the accompanying consolidated statement of operations and changes in net assets.

The following summarizes the condensed financial information of the Fund as of and for the years ended August 31:

	2012	2011
Total assets	$147,850	$114,849
Total liabilities	334,161	312,026
Revenues	54,658	58,943
Expenses	43,792	18,260

NOTE F - ALLOWANCE FOR DOUBTFUL ACCOUNTS AND RETURNS

Changes in the Association's allowance for doubtful accounts and returns for the years ended August 31, 2012 and 2011, are as follows:

	2012	2011
Beginning balance	$182,497	$278,819
(Credit) provision for bad debts	30,271	(62,720)
Accounts written off	(21,870)	(49,794)
Amounts recovered	10,110	16,192
Adjustment to allowance for returns	10,000	-
Ending balance	$211,008	$182,497

NOTE G - PROPERTY AND EQUIPMENT

On June 17, 2004, the Association entered into an agreement to purchase an office condominium in Washington, D.C., subject to the satisfaction of certain conditions. The property was acquired on February 3, 2005. The total cost of the building, building improvements and land was $4,777,000. The purchase consisted of a $1,500,000 down payment, $3,175,000 from tax-exempt revenue bonds sold by the District of Columbia and $102,000 from operating funds. On June 27, 2012 the Association terminated the master agreement and paid the outstanding balance of $2,706,430. In consideration of the early termination, $235,000 was also paid to terminate the interest rate swap.

On February 18, 2009, the Association purchased an office condominium in Middletown, Connecticut. The total cost of the building, building improvements and land was $2,087,000 and was financed with a new mortgage loan. On June 27, 2012 the Association terminated the mortgage loan and paid the remaining principal balance of $1,586,850.

The components of property and equipment balances at August 31, 2012 and 2011, are as follows:

	2012	2011
Land	$ 2,443,394	$ 2,443,394
Buildings and improvements	13,858,689	13,802,751
Furniture and other equipment	3,439,355	3,396,252
Technology and related equipment	17,404,868	15,355,825
Total property and equipment	37,146,306	34,998,222
Less accumulated depreciation and amortization	22,974,801	20,377,671
Property and equipment, net	$14,171,505	$14,620,551

Unamortized software development costs included in property and equipment at August 31, 2012 and 2011, were $3,121,965 and $3,130,120, respectively. Related amortization expense was $802,073 and $460,037 in 2012 and 2011, respectively. Property and equipment depreciation and amortization expense for the year ended August 31, 2012 and 2011 was $2,597,130 and $2,133,656, respectively.

NOTE H - INTANGIBLE ASSETS

The Association recognizes an acquired intangible asset apart from goodwill whenever the intangible asset arises from contractual or other legal rights, or when it can be separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged, either individually or in combination with a related contract, asset, or liability. Intangible assets are stated at cost less accumulated amortization and consist of trademarks and brand extension, co-publishing relationship, distribution relationship, backlist, customer relationships, online and catalog and non-compete agreements. Impairment losses are recognized if the carrying amount of an intangible subject to amortization is not recoverable from expected future cash flows and its carrying amount exceeds its fair value. Management determined that no intangible asset impairment existed as of August 31, 2012.

The Association allocated $4,250,000 of the purchase price in the Neal Schuman Publishers, Inc. acquisition on December 23, 2011, to the following groupings and estimated useful lives as determined by independent expert appraisal:

Intangible Asset	Fair Value	Estimated Useful Lives (Years)
Trademarks & brand extension	$1,684,000	10
Co-publishing relationship	998,000	7
Distribution relationship	631,000	7
Backlist	516,000	3
Customer relationships	197,000	7
Online & catalog	150,000	3
Non-compete agreement	74,000	4
Total	$4,250,000	
Less amortization	334,879	
Net intangible assets	$3,915,121	

Amortization expense charged to the operations of the Association was $334,879 for the year ended August 31, 2012. Amortization has been computed based on the estimated useful lives described above.

The estimated intangible assets amortization expense for each of the next five years is as follows:

2013	$ 669,757
2014	669,757
2015	558,757
2016	438,507
2017	429,257
Thereafter	1,149,086
Total	$3,915,121

NOTE I - GOODWILL

The Association applies the acquisition method of accounting for business combinations. Under this method, all assets and liabilities acquired in a business combination, including goodwill, are recorded at fair value. The purchase price allocation requires subjective judgments concerning estimates of the fair value of the acquired assets and liabilities. Goodwill consists principally of the excess of cost over the fair value of net assets acquired in business combinations, as further described in Note D, and is not amortized. The Association performs an annual impairment analysis of goodwill and concluded that there was no impairment at August 31, 2012.

NOTE J - INVESTMENTS

The composition of the Association's investment portfolio at August 31 is as follows:

	2012		2011	
Type	Cost or amortized cost	Carrying value	Cost or amortized cost	Carrying value
Short-term investments				
Cash	$ 742,334	$ 742,334	$ 1,044,498	$ 1,044,498
Corporate bonds	3,503,236	3,673,747	3,185,751	3,442,475
U.S. Government securities	9,207,590	9,412,248	10,154,243	10,646,633
Total short-term investments	$13,453,160	$13,828,329	$14,384,492	$15,133,606

	2012		2011	
Type	Cost or amortized cost	Carrying value	Cost or amortized cost	Carrying value
Long-term investments				
Cash	$ 714,363	$ 714,363	$ 812,471	$ 812,471
Common stock	10,279,795	11,904,210	13,183,728	13,248,153
Corporate bonds	13,559,521	13,891,319	10,205,406	10,660,076
U.S. Government securities	2,604,148	2,696,505	2,926,771	3,027,158
Fund of funds hedge fund	3,137,969	3,354,419	3,137,968	3,525,040
Precious metal exchange-traded funds	-	-	21,699	37,720
Total long-term investments	$30,295,796	$32,560,816	$30,288,043	$31,310,618

Investments valued at NAV as of August 31, 2012 and 2011, consisted of the following:

	2012			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds hedge fund (a)	$3,354,419	$ -	Quarterly	Up to 120 days
Total investments recorded at NAV	$3,354,419	$ -		

	2011			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds hedge fund (a)	$3,525,040	$ -	Quarterly	Up to 120 days
Total investments recorded at NAV	$3,525,040	$ -		

(a) The objective of this fund is to preserve capital while generating consistent long-term appreciation across all market cycles. The fund of funds hedge fund invests all of its assets in a master fund which provides investors the ability to more easily approximate a multi-manager portfolio, thus providing exposure to a variety of investment styles and philosophies. Requested withdrawals are subject to a 5% hold-back provision until the fund's next audit cycle is completed.

Investment return consists of the following for the years ended August 31:

	2012	2011
Net change in unrealized gain on investments	$1,004,400	$ 265,139
Net realized gain on the sale of investments	57,754	1,654,265
	1,062,154	1,919,404
Dividends and interest income	1,344,857	1,535,283
	$2,407,011	$3,454,687

NOTE K - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to measure the carrying value of each class of financial instruments appearing on the accompanying statements of financial position for which it is practical to estimate the fair value.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of money market accounts and are carried at amortized cost, which approximates fair value.

Accounts and Grants Receivable

Accounts and grants receivable are shown net of allowance for uncollectible amounts, and are reflected at their approximate fair value.

Investments

Investments are stated at fair value, except for investments in cash, which are at amortized cost. Investments with values that are based on quoted market prices in active markets and are, therefore, classified within Level 1, include active listed equities, certain U.S. Government and sovereign obligations, corporate bonds, precious metal commodities and certain money market securities. The Association does not adjust the quoted price for such instruments, even in situations where the Association holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within Level 2. These include certain U.S. Government and sovereign obligations, government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include hedge funds, private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities backed by either commercial or residential real estate. When observable prices are not available for these securities, the Association uses one or more valuation techniques.

Short-term investments are available for short-term operations and long-term investments are investments intended to be held more than one year. Investment purchases and sales are recorded as of the trade date.

Interest Rate Swap Agreements

The fair value of the interest rate swap agreement is based on a quoted market price, which reflects the present value of the difference between estimated future fixed-rate payments and future variable-rate receipts. The interest rate swap was terminated on June 27, 2012 and paid off by the Association.

Deferred Revenue

The carrying amount recorded approximates the fair value and is based upon the publication subscriptions, membership dues, conference fees, and grants and awards received in advance and not yet deemed to be earned by the Association.

Bonds Payable

The fair value of the variable rate bonds payable is presumed to approximate the carrying value.

The following table summarizes the fair value of assets and liabilities by level as of August 31:

	2012			
	Level 1	Level 2	Level 3	Total
Assets				
Common stock	$11,685,213	$ 218,997	$ -	$11,904,210
U.S. Government securities	7,085,043	5,023,710	-	12,108,753
Corporate bonds	12,726,110	4,838,956	-	17,565,066
Fund of funds hedge fund	-	-	3,354,419	3,354,419
Total assets at fair value	$31,496,366	$10,081,663	$3,354,419	$44,932,448

	2011			
	Level 1	Level 2	Level 3	Total
Assets				
Common stock	$12,533,901	$ 714,252	$ -	$13,248,153
U.S. Government securities	8,453,517	5,220,274	-	13,673,791
Corporate bonds	12,212,163	1,890,388	-	14,102,551
Fund of funds hedge fund	-	-	3,525,040	3,525,040
Precious metal exchange-traded funds	-	-	37,720	37,720
Total assets at fair value	$33,199,581	$ 7,824,914	$3,562,760	$44,587,255
Liabilities				
Interest rate swap	$ -	$ (273,099)	$ -	$ (273,099)
Total liabilities at fair value	$ -	$ (273,099)	$ -	$ (273,099)

The changes in investments included in Level 3 assets and liabilities measured at fair value are summarized as follows:

Balance, August 31, 2010	$3,190,062
Total net gains included in revenue, gain and other support over expenses	372,698
Balance, August 31, 2011	3,562,760
Total net losses included in revenue, gain and other support over expenses	(208,341)
Balance, August 31, 2012	$3,354,419

NOTE L - ENDOWMENT NET ASSETS

The Association's endowment consists of approximately 12 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Executive Board to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Executive Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Executive Board of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.

2. The purposes of the Association and the donor-restricted endowment fund.

3. General economic conditions.

4. The possible effects of inflation and deflation.

5. The expected total return from income and the appreciation of investments.

6. Other resources of the Association.

7. The investment policies of the Association.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature would be reported in unrestricted net assets. These deficiencies could result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions or continued appropriation for certain programs that may be deemed prudent by the Executive Board. There were no such deficiencies as of August 31, 2012 or 2011.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Executive Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an average rate of return of approximately 5% percent annually. Actual returns in any given year may vary from this amount.

For the year ended August 31, 2011 and prior years, the Executive Director was authorized to include in the preparation of the Association's annual budget (1) interest and dividend income generated annually in the Association's Future Fund or (2) up to but not to exceed 50% of the five-year moving average of the appreciation realized in the Association's Future Fund less any interest and dividend income transferred to the operating fund. Additionally, the Executive Directors of the divisions and the liaisons for the round tables were authorized to include in the preparation of their annual budgets (1) interest and dividend income generated annually or (2) up to but not to exceed 50% of the five-year moving average of the appreciation realized in their respective unrestricted funds. The 50% five-year moving average is calculated by averaging the interest, dividends and market gains (realized/unrealized) less bank fees, other investment related expenses and any interest and dividends that have been transferred to the operating budget during the prior five years. This calculation excludes any contributions or withdrawals made over the trailing five-year period. Withdrawals using the net 50% five-year moving average do not require repayment.

Effective September 1, 2011, the annual spending formula is based on a range of 3% to 5% of the trailing five-year quarterly (20) rolling average of each funds calendar year-end net asset balance.

Endowment net asset composition as of August 31, 2012 and 2011 is as follows:

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$1,232,036	$514,700	$1,746,736
Board-designated endowment funds	12,834,165	-	-	12,834,165
Total funds	$12,834,165	$1,232,036	$514,700	$14,580,901

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$1,291,870	$514,700	$1,806,570
Board-designated endowment funds	12,592,738	-	-	12,592,738
Total funds	$12,592,738	$1,291,870	$514,700	$14,399,308

Changes in endowment net assets for the fiscal years ended August 31, 2012 and 2011 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, August 31, 2010	$12,161,934	$1,344,441	$514,700	$14,021,075
Additions and transfers	2,878	-	-	2,878
Dividends and interest	78,118	13,772	-	91,890
Net gains (realized and unrealized)	727,926	29,112	-	757,038
Appropriation of endowment assets for expenditures	(378,118)	(95,455)	-	(473,573)
Endowment net assets, August 31, 2011	12,592,738	1,291,870	514,700	14,399,308
Additions and transfers	3,428	-	-	3,428
Dividends and interest	6,543	13,450	-	19,993
Net gains (realized and unrealized)	379,008	10,393	-	389,401
Appropriation of endowment assets for expenditures	(147,552)	(83,677)	-	(231,229)
Endowment net assets, August 31, 2012	$12,834,165	$1,232,036	$514,700	$14,580,901

NOTE M - LINE OF CREDIT

The Association has a $2,500,000 unsecured line of credit with a bank, which is due on demand. Under the terms of the agreement, interest on amounts borrowed is payable at the bank's prime rate of interest. As of August 31, 2012 and August 31, 2011 there was no outstanding balance on the line of credit.

NOTE N - EMPLOYEE RETIREMENT PLANS

The Association has a defined contribution retirement plan covering all regular full-time employees who have completed two years of service. Contributions to the plan are used to purchase separate annuity contracts for each participating employee. The Association provides a contribution to all participants equal to 4% of annual base salary. Additional voluntary contributions up to 3% of annual base salary are shared equally by the Association and employees. The cost of this plan, which is included in payroll expenses, was $984,933 and $952,457 in 2012 and 2011, respectively.

The Association offers deferred compensation plans under Internal Revenue Code 457(b) and 457(f) to a select group of management. The Association has recorded a liability of $0 and $16,500 at August 31, 2012 and 2011, related to these deferred compensation plans.

These amounts are included in accrued liabilities in the accompanying statements of financial position.

NOTE O- COMMITMENTS AND CONTINGENCIES

The Association leases certain office facilities and equipment.

Operating Leases

The future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of August 31, 2012, are as follows:

Years ending August 31,	
2013	$135,704
2014	112,128
2015	60,001
2016	5,899
2017	-
Thereafter	-
Total	$313,732

Total rental expenses under operating leases were $236,079 and $239,310 in 2012 and 2011, respectively.

Capital Leases

The future minimum lease payments under capital leases are as follows:

Years ending August 31,

2013	$273,020
2014	229,938
2015	167,255
2016	103,906
2017	29,853
Thereafter	-
	803,972
Less amount representing interest	94,947
Total	$709,025

Property recorded under the capital leases included the following amounts at August 31, 2012 and 2011:

	2012	2011
Assets	$1,402,044	$737,745
Accumulated depreciation	702,649	403,851
Net capitalized lease property	$ 699,395	$333,894

NOTE P - LONG-TERM DEBT

On July 2, 2012 the Association obtained a term loan from a financial institution in the amount of $10,100,000.

The loan is to support the acquisition of Neal-Schuman Publishers Inc., to refinance the series 2006 Variable Rate Revenue Bonds, refinance a term loan related to a commercial condo office in Connecticut, to fund an interest rate swap termination payment, and to fund certain costs of issuance. The terms of the long-term refinancing consist of annual principal payments each July and monthly interest payments calculated at 3.5% provided the Association meets required covenants and limitations on additional indebtedness.

In 2006, the District of Columbia issued variable rate revenue bonds, Series 2006 (0.258% and 0.301% weighted-average rate during 2012 and 2011, respectively), maturing in varying annual installments through 2035. Proceeds from sale of the bonds were loaned to the Association.

The Association entered into a fixed/floating interest rate swap agreement with Bank of America, N.A. (the "Bank") that provides for a monthly fixed interest rate of 3.205% to be paid by the Association and a monthly floating rate, 67% of USD-LIBOR-BBA, to be paid by the Bank on the outstanding principal balance. The agreement is secured by the office condominium and five parking spaces at 1615 New Hampshire Avenue N.W., Washington, D.C. The market value of the interest rate swap was $0 and $(273,099) at August 31, 2012 and 2011, respectively. The related liability is included in accrued liabilities in the consolidated statements of financial position.

On July 2, 2012 the Association secured new loan financing and repaid the revenue bonds outstanding principal balance of $2,706,430. As a result of the early payoff, the Association incurred $235,000 to pay off the interest rate swap agreement.

Under the terms of the long-term debt arrangement, certain specified payments are required for bond redemption and interest payments. The terms of the long-term debt arrangement require, among other provisions, the maintenance of various financial ratios and place limitations on additional indebtedness and pledging of assets.

In 2009, the Association obtained a term loan amounting to $2,000,000 related to the acquisition of a commercial office condominium in Middletown, Connecticut. Terms of the loan require equal monthly payments of principal and interest until February 18, 2016, with the unpaid principal balance due at that date. The loan bears interest at LIBOR plus 2.25 percentage points adjusted on the first day of every month. The terms of the loan require maintenance of various financial ratios and limitations on additional indebtedness and pledging of assets. The loan is collateralized by the commercial office condominium. On July 2, 2012 the Association secured new term loan financing and repaid the outstanding principal balance of the original term loan in the amount of $1,586,860.

Maturities of long-term debt are as follows:

Years ending August 31,	
2013	$647,500
2014	647,500
2015	647,500
2016	1,147,500
2017	1,147,500
Thereafter	5,862,500
Total	$10,100,000

Interest expense amounted to $235,523 and $150,693 in 2012 and 2011, respectively.

NOTE Q - TAXES

The Association is a tax-exempt organization under Section 501(c)(3) of the IRC. The ALA/APA is exempt under Section 501(c)(6) of the IRC. Section 501(c)(3) and Section 501(c)(6) organizations are taxed only on income classified as unrelated business income. The ALA/APA does not currently have any unrelated business income. The Association has income derived from certain advertising activities that has been determined to be unrelated business income. Unrelated business income is taxed in accordance with Federal and state income tax regulations. There was no provision for unrelated business income taxes in 2012 or 2011. The tax years ended 2008, 2009 and 2010 are still open to audit for both Federal and state purposes.

NOTE R - OTHER POST-RETIREMENT EMPLOYEE BENEFITS

The Association maintains a voluntary contributory plan providing post-retirement healthcare and non-contributory post-retirement life insurance. The Association's employees who meet certain age and service requirements at the time of their retirement are eligible to participate. Participants can select coverage from one of three medical plans, only one dental plan is available. In 2011 the plan was amended to provide retiree health insurance benefits to employees who reach 65 with 5 years of service. Prior to amendment the plan allowed coverage to employees who had reached 65 with 5 years of service or who reached 55 with 20 years of service. The Association's post-retirement plan is unfunded.

The following table presents the amounts related to the plan recognized in the Association's consolidated statements of financial position as of August 31:

	2012	2011
Benefit obligation, beginning of year	$17,548,168	$16,499,412
Service cost	635,889	708,726
Interest cost	949,549	894,537
Actuarial loss (gain)	(1,243,585)	1,262,200
Plan amendments	-	(1,534,769)
Retiree contributions	158,767	152,906
Medicare Part D subsidy	29,904	30,000
Benefits paid, net of Medicare Part D subsidy	(481,939)	(464,844)
Benefit obligation, end of year	$17,596,753	$17,548,168

The current portion of the benefit obligation at August 31, 2012 and 2011, is $470,217 and $567,285, respectively, and is included in accrued liabilities in the accompanying consolidated statements of financial position.

The summary of the changes in plan assets as of August 31, 2012 and 2011, is as follows:

	2012	2011
Plan assets at fair value, beginning of year	$ -	$ -
Retiree contributions	158,767	152,906
Medicare Part D subsidy	29,904	30,000
Employer contributions, net of Medicare Part D subsidy	293,268	281,938
Benefits paid	(481,939)	(464,844)
Plan assets at fair value, end of year	$ -	$ -
Funded status at end of year	$(17,596,753)	$(17,548,168)

The Association anticipates contributions of $470,217 to plan assets will be made during 2013. Estimated benefit payments are $470,217 in 2013, $546,084 in 2014, $622,079 in 2015, $680,288 in 2016, $674,879 in 2017 and $3,849,727 in 2018 through 2022.

Net periodic benefit cost is comprised of the following:

	2012	2011
Service cost	$ 635,889	$ 708,726
Interest cost	949,549	894,537
Amortization of unrecognized prior service cost	(113,322)	(16,000)
	$ 1,472,116	$ 1,587,263

Amounts that have not yet been recognized as a component of net periodic benefit cost consist of the following at August 31:

	2012	2011
Prior service cost	$ (1,456,447)	$ (1,569,769)
Net loss	1,205,280	2,448,865
Total included in unrestricted net assets	$ (251,167)	$ 879,096

Other post-retirement employee benefit-related costs (credits) other than net periodic post-retirement cost recognized in the consolidated statements of operations are as follows at August 31:

	2012	2011
Benefit related changes other than net periodic benefit credit		
Net actuarial loss (gain)	$(1,243,585)	$ 1,262,200
Prior service cost credit established during the year due to plan amendments	-	(1,534,769)
Amortization of previously unrecognized prior service cost	113,322	16,000
Total benefit-related changes other than net periodic benefit cost	$(1,130,263)	$ (256,569)

Assumptions as of August 31, 2012 and 2011, used to determine the benefit obligation are as follows:

	2012	2011
Weighted-average discount rate	4.5%	5.5%

The gross weighted-average annual assumed rate of increase in the per capita cost of covered benefits (healthcare cost trend rate) is 8% for 2012 and is assumed to decrease gradually to 5% for 2023 and remain at that level thereafter. The gross dental trend rate is 5% for 2012 and is assumed to remain at that level thereafter. A 1% increase in the healthcare cost trend rate would increase the benefit obligation by $3,348,994 and a 1% decrease would decrease the benefit obligation by $2,627,756. Additionally, a 1% increase in the healthcare cost trend rate would increase combined service and interest cost by $349,740, and a 1% decrease would decrease combined service and interest cost by $267,690.

NOTE S - FUNCTIONAL EXPENSES

Expenses incurred by the Association for the years ended August 31 were for the following purposes:

	2012	2011
Program services	$46,388,527	$43,179,279
General and administrative activities	3,691,827	4,538,670
Fundraising activities	314,796	354,742
	$50,395,150	$48,072,691

NOTE T - SUBSEQUENT EVENTS

The Association evaluated its August 31, 2012 consolidated financial statements for subsequent events through January 28, 2012, the date the financial statements were issued. The Association is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

Executive Board
American Library Association

Our report on our audit of the basic financial statements of American Library Association for the year ended August 31, 2012 appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information as of and for the year ended August 31, 2012, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as of and for the year ended August 31, 2012, is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information for the year ended August 31, 2011, was audited by other auditors whose report, dated February 16, 2012, expressed an unqualified opinion on such information in relation to the financial statements as a whole.

Mueller & Co., LLP

Chicago, Illinois
January 28, 2013

Certified Public Accountants ■ Management Consultants
Offices in Elgin, St. Charles, Oakbrook Terrace, and Chicago

American Library Association
DETAIL OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31,

Exhibit I

ASSETS	2012 Operating Fund	2012 Plant Fund	2012 Grants and Awards Fund	2012 Long Term Investments Fund	2012 Total all funds	2012 ALA/APA	2012 Subtotal	2012 Eliminations	2012 Total	2011 Total
CURRENT ASSETS										
Cash and cash equivalents	$ 2,608,747	-	-	-	$ 2,608,747	$ 63,792	$ 2,672,539	$ -	$ 2,672,539	$ 2,954,698
Short-term investments	13,828,329	-	-	-	13,828,329	-	13,828,329	-	13,828,329	15,133,606
Accounts receivable, less allowance for doubtful accounts and returns of $211,008 and $182,497 in 2012 and 2011, respectively	3,120,057	-	-	119,341	3,239,398	-	3,239,398	51,941	3,291,339	2,847,129
Inventories, less reserves of $517,183 and $402,434 in 2012 and 2011, respectively	1,815,894	-	-	-	1,815,894	1,261	1,817,155	-	1,817,155	1,214,071
Grants receivable	-	-	791,457	-	791,457	-	791,457	-	791,457	802,385
Prepaid expenses and other assets	658,632	-	-	-	658,632	-	658,632	-	658,632	659,748
Total current assets	22,031,659	-	791,457	119,341	22,942,457	65,053	23,007,510	51,941	23,059,451	23,611,637
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	-	12,098,518	-	2,068,457	14,167,005	4,500	14,171,505	-	14,171,505	14,620,551
GOODWILL	2,326,567	-	-	-	2,326,567	-	2,326,567	-	2,326,567	-
INTANGIBLE ASSETS, LESS AMORTIZATION	3,915,121	-	-	-	3,915,121	-	3,915,121	-	3,915,121	-
LONG-TERM INVESTMENTS	-	-	-	32,560,816	32,560,816	-	32,560,816	-	32,560,816	31,310,618
LOAN RECEIVABLE	265,000	-	-	-	265,000	-	265,000	(265,000)	-	-
DUE (TO) FROM OTHER FUNDS	(2,179,768)	(1,260,748)	3,715,317	(275,993)	(1,192)	53,133	51,941	(51,941)	-	-
TOTAL ASSETS	$ 26,358,579	$ 10,837,800	$ 4,506,774	$ 34,472,621	$ 76,175,774	$ 122,686	$ 76,298,460	$ (265,000)	$ 76,033,460	$ 69,542,806

American Library Association
DETAILS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED
August 31,

Exhibit I - Continued

LIABILITIES AND NET ASSETS	2012 Operating Fund	2012 Plant Fund	2012 Grants and Awards Fund	2012 Long Term Investments Fund	2012 Total all funds	2012 ALA/APA	2012 Subtotal	2012 Eliminations	2012 Total	2011 Total
CURRENT LIABILITIES										
Accounts payable	$ 4,399,578	$ -	$ -	$ -	$ 4,399,578	$ -	$ 4,399,578	$ -	$ 4,399,578	$ 3,256,913
Accrued liabilities	660,139	28,775	-	-	688,914	-	688,914	-	688,914	1,564,819
Deferred revenue										
Publication subscriptions	2,249,141	-	-	-	2,249,141	1,335	2,250,476	-	2,250,476	2,205,056
Membership dues	4,204,404	-	-	-	4,204,404	-	4,204,404	-	4,204,404	4,244,197
Conference fees	2,622,537	-	-	-	2,622,537	-	2,622,537	-	2,622,537	3,703,981
Grants and awards	-	-	3,469,339	-	3,469,339	-	3,469,339	-	3,469,339	2,722,372
Current portion of capital lease obligation	-	223,816	-	-	223,816	-	223,816	-	223,816	253,923
Current portion of long-term debt	-	647,500	-	-	647,500	265,000	912,500	(265,000)	647,500	215,945
Total current liabilities	14,135,799	900,091	3,469,339	-	18,505,229	266,335	18,771,564	(265,000)	18,506,564	18,167,206
CAPITAL LEASE OBLIGATION	-	485,209	-	-	485,209	-	485,209	-	485,209	97,851
LONG-TERM DEBT	-	9,452,500	-	-	9,452,500	-	9,452,500	-	9,452,500	4,179,673
NON-CURRENT PORTION OF ACCRUED POST-RETIREMENT BENEFITS	17,126,536	-	-	-	17,126,536	-	17,126,536	-	17,126,536	16,980,883
Total liabilities	31,262,335	10,837,800	3,469,339	-	45,569,474	266,335	45,835,809	(265,000)	45,570,809	39,425,613
NET (DEFICIT) ASSETS										
Unrestricted	(4,903,756)	-	-	29,946,520	25,042,764	(143,649)	24,899,115	-	24,899,115	24,309,560
Temporarily restricted	-	-	1,037,435	4,011,401	5,048,836	-	5,048,836	-	5,048,836	5,292,933
Permanently restricted	-	-	-	514,700	514,700	-	514,700	-	514,700	514,700
Total net (deficit) assets	(4,903,756)	-	1,037,435	34,472,621	30,606,300	(143,649)	30,462,651	-	30,462,651	30,117,193
TOTAL LIABILITIES AND NET ASSETS	$ 26,358,579	$ 10,837,800	$ 4,506,774	$ 34,472,621	$ 76,175,774	$ 122,686	$ 76,298,460	$ (265,000)	$ 76,033,460	$ 69,542,806

American Library Association
DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Years ended August 31,

Exhibit II

	2012															
	Unrestricted												Temporarily restricted	Permanently restricted		
	American Library Association															
	Operating Fund															
	General activities	Divisional activities	Round table activities	Post retirement benefit and other activities	Technology Reserve Fund	Total Operating Fund	Plant Fund	Grants and Awards Fund	Long Term Investments Fund	Total all funds	ALA-APA	Total unrestricted net assets	American Library Association Long Term Investments Fund Grants and Awards Fund	American Library Association Long Term Investments Fund	Total	2011 Total
Revenues and other support																
Operating revenues																
Membership dues	$ 5,770,610	$ 2,675,338	$ 175,291	$	$	$ 8,621,239	$	$	$	$ 8,621,239	$	$ 8,621,239	$	$	$ 8,621,239	$ 8,656,744
Sales of books and materials	6,169,393	2,015,944	63,845			8,249,182			318	8,249,500	3,686	8,253,186	4,200		8,257,386	7,019,542
Subscriptions	2,327,549	1,994,125	7,824			4,329,498				4,329,498	109,424	4,438,922			4,438,922	4,600,175
Advertising	3,994,830	1,308,499	19,288			5,322,617				5,322,617		5,322,617			5,322,617	5,266,933
Meetings and conferences	6,620,033	5,341,535	57,980			12,019,548			7,940	12,027,488	52,917	12,080,405			12,080,405	10,021,000
Grants								4,846,040		4,846,040		4,846,040	904,358		5,750,398	5,352,123
Contributions	220,128	776,923	20,501			1,017,552				1,017,552	2,161	1,019,713	169,470		1,189,183	1,449,608
Dividends and interest income																
Short term investments	751,945					751,945				751,945		751,945			751,945	851,496
Long term investments									571,601	571,601		571,601	21,311		592,912	683,787
Other	1,391,346	1,225,182	5,853			2,622,381			165	2,622,546	571	2,623,117	8,693		2,631,810	2,680,212
Total operating revenues	27,245,834	15,337,546	350,582			42,933,962		4,846,040	580,024	48,360,026	168,759	48,528,785	1,108,032		49,636,817	46,581,620
Net assets released from restrictions																
Satisfaction of program restrictions								988,975	373,545	1,362,520		1,362,520	(1,362,520)			
Total revenues and other support	27,245,834	15,337,546	350,582			42,933,962		5,835,015	953,569	49,722,546	168,759	49,891,305	(254,488)		49,636,817	46,581,620
Expenses																
Payroll	14,450,708	5,329,751	1,155			19,781,614		1,550,334		21,331,948	41,280	21,373,228			21,373,228	20,938,781
Outside services	3,905,377	1,535,364	10,131		58,617	5,509,489	134,715	1,752,865	191,034	7,588,103	20,056	7,608,159			7,608,159	6,687,090
Travel	1,077,738	764,969	3,190			1,845,897		360,799	19,373	2,226,069	1,359	2,227,428			2,227,428	1,731,608
Meetings and conferences	2,983,257	2,000,197	142,136			5,125,590		943,574	280,891	6,350,055	5,468	6,355,523			6,355,523	6,259,656
Publications	3,346,024	1,360,263	55,734			4,762,021		169,401	58	4,931,480	2,897	4,934,377			4,934,377	4,752,007
Operating	4,880,135	1,105,875	1,715			5,987,725	977,198	464,850	67,865	7,497,638	56,944	7,554,582			7,554,582	6,373,855
Post retirement benefits				1,472,116		1,472,116				1,472,116		1,472,116			1,472,116	1,597,263
Inter fund transfers	438,609	217,401	7,108		252,334	915,452	(1,111,913)	129,232	67,229							
Total expenses before overhead allocated	31,081,848	12,313,820	221,169	1,472,116	310,951	45,399,904		5,371,055	626,450	51,397,409	128,004	51,525,413			51,525,413	48,329,260
Overhead allocated	(2,463,784)	1,982,298	17,526			(463,960)		463,960								
Total expenses	28,618,064	14,296,118	238,695	1,472,116	310,951	44,935,944		5,835,015	626,450	51,397,409	128,004	51,525,413			51,525,413	48,329,260
Other post retirement employee benefit related credits other than net periodic post retirement employee cost				1,130,263		1,130,263				1,130,263		1,130,263			1,130,263	256,569
(Deficiency) excess of operating revenues and other support over operating expenses	(1,372,230)	1,041,428	111,887	(341,853)	(310,951)	(871,719)			327,119	(544,600)	40,755	(503,845)	(254,488)		(758,333)	(1,491,071)
Non operating																
Net realized and change in unrealized gains (losses)																
Short term investments	22,485					22,485				22,485		22,485			22,485	(3,222)
Long term investments									1,029,278	1,029,278		1,029,278	10,391		1,039,669	1,922,626
Change in fair value of swap agreement	38,099					38,099				38,099		38,099			38,099	20,061
Change in investment in related party	3,538					3,538				3,538		3,538			3,538	20,941
CHANGE IN NET ASSETS	(1,308,108)	1,041,428	111,887	(341,853)	(310,951)	(807,597)			1,356,397	548,800	40,755	589,555	(244,097)		345,458	469,335
Net assets (deficit), beginning of year	1,473,057	12,761,367	1,094,713	(20,396,966)	971,670	(4,096,159)			28,590,123	24,493,964	(184,404)	24,309,560	5,292,933	514,700	30,117,193	29,647,858
Net assets (deficit), end of year	$ 164,949	$ 13,802,795	$ 1,206,600	$ (20,738,819)	$ 660,719	$ (4,903,756)	$	$	$ 29,946,520	$ 25,042,764	$ (143,649)	$ 24,899,115	$ 5,048,836	$ 514,700	$ 30,462,651	$ 30,117,193

American Library Association
DETAILS OF LONG-TERM INVESTMENT FUND
Years ended August 31,

Exhibit III

	2012												2011
	Unrestricted												
	Life Member Fund	Future Fund	Carnegie Fund	Spectrum Family of Funds	Scholarships	Awards	Divisions	Huron Plaza	Total unrestricted net assets	Temporarily restricted	Permanently restricted	Total	Total
Additions													
Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 169,470	$ -	$ 169,470	$ 302,008
Interest and dividends	39,371	(59,804)	39,397	152,475	56,207	172,125	171,830	-	571,601	21,311	-	592,912	683,787
Other	-	-	-	-	-	8,423	-	-	8,423	12,893	-	21,316	7,596
Total additions	39,371	(59,804)	39,397	152,475	56,207	180,548	171,830	-	580,024	203,674	-	783,698	993,391
Net assets released from restrictions													
Satisfaction of program restrictions	702	9,971	36,190	163,418	39,454	120,345	3,465	-	373,545	(373,545)	-	-	-
Total operating	40,073	(49,833)	75,587	315,893	95,661	300,893	175,295	-	953,569	(169,871)	-	783,698	993,391
Deductions													
Outside services	8,026	73,280	8,351	30,288	11,299	26,590	33,200	-	191,034	-	-	191,034	265,594
Travel and related expenses	-	374	-	17,673	400	926	-	-	19,373	-	-	19,373	3,492
Meetings and conferences	-	-	-	-	-	20,294	-	-	20,294	-	-	20,294	24,666
Scholarships and awards	-	-	27,838	161,583	33,957	37,219	-	-	260,597	-	-	260,597	308,698
Publications-related expenses	-	-	-	-	-	58	-	-	58	-	-	58	430
Operating expenses	31,885	14,104	-	21,486	-	400	-	-	67,865	-	-	67,865	60,668
Inter-fund transfers	961	(2,852)	-	(64,994)	-	54,467	79,647	-	67,229	-	-	67,229	193,314
Total deductions	40,872	84,906	36,189	166,036	45,656	139,954	112,847	-	626,450	-	-	626,450	856,862
(Deficit) excess	(799)	(134,729)	39,398	149,857	50,005	160,939	62,448	-	327,119	(169,871)	-	157,248	136,529
Non-operating													
Market value (losses) gains													
Realized	(361)	(2,537)	(307)	(1,712)	(1,260)	(2,138)	(2,372)	-	(10,687)	(350)	-	(11,037)	1,559,024
Unrealized	40,863	381,545	41,077	156,964	60,326	180,689	178,501	-	1,039,965	10,741	-	1,050,706	363,602
Total non-operating	40,502	379,008	40,770	155,252	59,066	178,551	176,129	-	1,029,278	10,391	-	1,039,669	1,922,626
CHANGE IN NET ASSETS	39,703	244,279	80,168	305,109	109,071	339,490	238,577	-	1,356,397	(159,480)	-	1,196,917	2,059,155
Net assets, beginning of year	1,245,497	13,728,930	201,926	1,746,972	1,506,682	2,898,643	5,193,016	2,068,457	28,590,123	4,170,881	514,700	33,275,704	31,216,549
Net assets, end of year	$ 1,285,200	13,973,209	282,094	2,052,081	1,615,753	$ 3,238,133	$ 5,431,593	$ 2,068,457	$ 29,946,520	$ 4,011,401	$ 514,700	$ 34,472,621	$ 33,275,704

American Library Association
SCHEDULES OF GENERAL ACTIVITIES EXPENSES
Years ended August 31,

Exhibit IV

	2012	2011
Publishing department activities	$ 12,522,723	$ 10,118,809
Conference activities	6,930,850	6,929,659
Communications		
Library	341,501	372,514
Office for research and statistics	150,224	101,753
Public information office	515,730	496,293
Chapter relations	136,254	160,466
Public programs	163,151	153,180
Library advocacy	221,816	202,075
Member/customer service center	511,111	532,436
International relations	214,001	217,380
AED - communications	508,736	569,816
Total communications	2,762,524	2,805,913
Executive office and governance		
Executive Board and Committees	405,465	421,450
Executive office	892,606	732,835
Development office	314,796	354,742
Total executive office and governance	1,612,867	1,509,027
Member programs and services		
Office for Literacy and Outreach Services	306,017	273,584
Washington office and Office for Information Technology Policy and Office of Government Relations	2,145,821	2,174,845
Office for Intellectual Freedom	653,726	676,589
Office for Human Resource Development and Recruitment	337,172	412,022
Office for Accreditation	317,011	315,729
Senior AED - member programs and services	230,606	204,525
Awards program	2,119	6,058
Diversity	184,548	197,306
Total member programs and services	4,177,020	4,260,658
Administration		
Business expense	1,555,833	509,379
Administrative services	252,828	419,623
Finance and accounting	1,396,667	1,406,195
Human resources	621,873	643,362
Information technology and telecommunication services	2,441,153	2,408,887
Subscription equivalent - American Libraries	573,503	617,646
Plant Fund transfer	1,567,309	1,764,394
Distribution center and reprographics	133,018	143,519
Total administration before overhead allocations	8,542,184	7,913,005
Total general activities expenses before allocation to other activities	36,548,168	33,537,071
Less Technology Reserve Fund expenses	(310,950)	(28,330)
Overhead recovery	(7,619,154)	(7,024,506)
Net general activities expenses	$ 28,618,064	$ 26,484,235

American Library Association

PUBLISHING ACTIVITIES - COMBINING SCHEDULE OF UNRESTRICTED REVENUE AND EXPENSES

Years ended August 31,

Exhibit V

	2012 ALA Editions	2012 Booklist	2012 American Libraries	2012 Digital Reference	2012 Products and Promotions	2012 Pub. AED/other	2012 Total	2011 Total
Unrestricted revenues and other support								
Sales of books and materials	$ 4,333,553	$ 104,073	$ 213	$ 98,543	$ 1,288,447	$ -	$ 5,824,829	$ 4,525,308
Subscriptions	286,821	1,621,297	65,362	315,088	-	-	2,288,568	2,385,833
Advertising	211,637	2,264,114	651,098	-	-	-	3,126,849	2,809,841
Miscellaneous	32,613	1,034,718	90,085	54,746	51	-	1,212,213	1,229,137
Total unrestricted revenues and other support	4,864,624	5,024,202	806,758	468,377	1,288,498	-	12,452,459	10,950,119
Expenses								
Payroll	1,338,664	1,507,655	587,908	524,758	239,668	432,546	4,631,199	4,195,322
Outside services	378,349	74,608	28,234	31,968	6,865	18,271	538,295	246,954
Travel	40,699	61,144	26,920	16,675	13,373	12,761	171,572	153,847
Meetings and conferences	19,884	27,019	1,667	4,375	2,675	675	56,295	35,722
Publications	1,328,252	543,851	228,859	115,026	446,306	10	2,662,304	2,061,956
Operating	1,027,246	184,637	163,092	439,746	96,270	18,676	1,929,667	1,230,162
Inter-unit transfers	303,040	95,265	(435,645)	(193,422)	71,812	(482,939)	(641,889)	(662,072)
Total expenses before overhead allocated	4,436,134	2,494,179	601,035	939,126	876,969	-	9,347,443	7,261,891
Overhead allocated	1,240,479	1,281,172	205,723	119,339	328,567	-	3,175,280	2,856,918
Total expenses	5,676,613	3,775,351	806,758	1,058,465	1,205,536	-	12,522,723	10,118,809
Excess (deficiency) of unrestricted revenues and other support over expenses	$ (811,989)	$ 1,248,851	$ -	$ (590,088)	$ 82,962	$ -	$ (70,264)	$ 831,310

American Library Association

DIVISIONAL ACTIVITIES - COMBINING SCHEDULE OF UNRESTRICTED REVENUE, EXPENSES AND CHANGES IN NET ASSETS

Years ended August 31,

Exhibit VI

	2012												2011
	PLA	ACRL and CHOICE	AASL	ASCLA	ALCTS	LAMA	RUSA	ALTAFF	LITA	ALSC	YALSA	Total	Total
Unrestricted revenues and other support													
Membership dues	$ 440,538	$ 652,414	$ 329,985	$ 42,821	$ 220,209	$ 181,568	$ 203,013	$ 60,899	$ 179,766	$ 143,931	$ 220,194	$ 2,675,338	$ 2,650,905
Sale of books and materials	280,688	594,008	159,064	35,688	5,844	519	58,737	92,820	-	694,134	94,442	2,015,941	2,044,663
Subscriptions	41,750	1,705,805	10,271	-	58,274	41	34,820	101,351	18,838	9,112	13,863	1,994,125	2,052,769
Advertising	109,650	1,116,519	41,220	-	1,770	-	50	-	13,838	7,276	18,176	1,308,499	1,303,431
Meetings and conferences	3,066,605	399,058	1,249,772	5,141	221,673	15,975	7,632	30,221	181,914	91,974	38,570	5,341,535	3,592,348
Contributions	248,981	92,500	138,551	5,475	28,099	3,911	45,756	116,182	28,575	21,518	44,375	776,923	839,179
Other	54,897	833,916	33,291	5	4,933	2,675	7,399	3,031	6,867	225,151	53,017	1,225,182	1,196,940
Total unrestricted revenues and other support	4,243,109	5,394,220	1,962,154	89,130	540,802	234,689	357,407	404,504	429,798	1,199,096	482,637	15,337,546	13,680,235
Expenses													
Payroll	511,133	2,204,867	591,053	66,810	252,648	183,059	200,647	318,177	221,536	432,733	347,088	5,329,751	5,280,221
Outside services	464,218	777,613	180,352	2,880	9,970	8,491	11,780	8,117	8,336	35,012	28,595	1,535,364	1,293,983
Travel	371,677	178,568	75,001	2,750	23,368	14,987	16,023	6,373	15,702	30,488	30,032	764,969	415,387
Meetings and conferences	692,971	506,470	320,924	11,656	92,534	9,128	63,945	31,883	96,392	112,863	61,431	2,000,197	2,007,018
Publications	144,272	773,117	185,418	221	52,122	2,748	14,945	54,017	15,401	52,235	65,767	1,360,263	1,634,228
Operating	151,446	526,851	84,274	3,491	29,642	6,216	16,870	43,461	17,858	199,457	26,309	1,105,875	1,076,712
Inter-unit transfers	28,207	95,648	20,316	(40,776)	45,525	4,663	28,927	(45,736)	21,714	39,872	19,041	217,401	343,426
Total expenses before overhead allocated	2,363,924	5,063,134	1,457,338	47,032	505,809	229,292	353,137	416,292	396,939	902,660	578,263	12,313,820	12,050,975
Overhead allocated	799,655	572,433	337,961	5,861	42,083	6,471	14,848	24,471	40,757	116,222	21,536	1,982,298	1,597,304
Total expenses	3,163,579	5,635,567	1,795,299	52,893	547,892	235,763	367,985	440,763	437,696	1,018,882	599,799	14,296,118	13,648,279
Excess (deficiency) of unrestricted revenues and other support over expenses	1,079,530	(241,347)	166,855	36,237	(7,090)	(1,074)	(10,578)	(36,259)	(7,898)	180,214	(117,162)	1,041,428	31,956
Net assets (deficit), beginning of year	1,049,517	7,501,530	1,089,409	37,960	346,710	175,350	600,413	(135,773)	441,307	1,358,439	296,505	12,761,367	12,729,411
Net assets (deficit), end of year	$ 2,129,047	$ 7,260,183	$ 1,256,264	$ 74,197	$ 339,620	$ 174,276	$ 589,835	$ (172,032)	$ 433,409	$ 1,538,653	$ 179,343	$ 13,802,795	$ 12,761,367

American Library Association **Exhibit VII**

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS BY PROGRAM ACTIVITY

Years ended August 31,

	2012	2011
Revenue		
Membership dues	$ 8,621,239	$ 8,656,744
Program activities		
Publishing	17,382,438	15,910,106
Meetings and conferences	14,051,796	12,360,133
Products and promotions	1,288,498	1,271,473
Grants and awards	5,750,398	5,352,123
Long-term investments	190,786	309,604
	47,285,155	43,860,183
Other		
Interest and dividends	1,344,857	1,535,283
Miscellaneous	1,006,805	1,186,154
Total revenue	49,636,817	46,581,620
Expenses		
Program activities		
Publishing	16,278,853	13,866,006
Meetings and conferences	11,731,213	11,055,507
Products and promotions	1,205,536	1,223,856
Grants and awards	5,835,015	5,371,130
Office activities	5,332,986	5,435,315
Membership activities	5,378,474	5,370,603
Long-term investments	626,450	856,862
Total program activities	46,388,527	43,179,279
General and administrative activities		
Administration	3,664,770	3,562,718
Post-retirement benefits	341,853	1,330,694
Total expenses	50,395,150	48,072,691
Operating revenues (less) greater than operating expenses	(758,333)	(1,491,071)
Non-operating		
Net realized and unrealized gains on investments	1,062,154	1,919,404
Change in value of swap agreement	38,099	20,061
Change in investment in related party	3,538	20,941
CHANGE IN NET ASSETS	345,458	469,335
Net assets, beginning of year	30,117,193	29,647,858
Net assets, end of year	$ 30,462,651	$ 30,117,193

ALA Allied Professional Association, Inc. **Exhibit VIII**

STATEMENTS OF FINANCIAL POSITION

August 31,

ASSETS	2012	2011
CURRENT ASSETS		
Cash and equivalents	$ 63,792	$ 3,454
Accounts receivable	-	2,839
Inventories	1,261	1,566
Total current assets	65,053	7,859
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION	4,500	6,372
DUE FROM GENERAL FUND	53,133	78,679
TOTAL ASSETS	$ 122,686	$ 92,910

LIABILITIES AND NET DEFICIT	2012	2011
CURRENT LIABILITIES		
Deferred subscription revenue	$ 1,335	$ 2,314
Total current liabilities	1,335	2,314
START-UP ADVANCE	265,000	275,000
Total liabilities	266,335	277,314
NET DEFICIT		
Unrestricted net deficit	(143,649)	(184,404)
TOTAL LIABILITIES AND NET DEFICIT	$ 122,686	$ 92,910

ALA Allied Professional Association, Inc.
STATEMENTS OF OPERATIONS AND CHANGES IN DEFICIENCY IN NET ASSETS
Years ended August 31,

Exhibit VIII - Continued

	2012	2011
Revenues and other support		
Operating revenues and gains		
Sales of books and other materials	$ 3,686	$ 20,132
Subscriptions	109,424	105,726
Meetings and conferences	52,917	28,335
Contributions	2,161	4,075
Other	571	295
Total revenues and other support	168,759	158,563
Expenses		
Payroll and related expenses	41,280	61,570
Outside services	20,056	19,560
Travel and related expenses	1,359	2,451
Meetings and conferences	5,468	6,203
Publication-related expenses	2,897	6,339
Operating	56,944	32,287
Total expenses	128,004	128,410
Excess of revenues and other support over expenses	40,755	30,153
CHANGE IN NET ASSETS	40,755	30,153
Net deficit, beginning of year	(184,404)	(214,557)
Net deficit, end of year	$ (143,649)	$ (184,404)

ALA Allied Professional Association, Inc. **Exhibit VIII - Continued**

STATEMENTS OF CASH FLOWS

Years ended August 31,

		2012		2011
Cash flows from operating activities				
Change in net assets	$	40,755	$	30,153
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Depreciation		1,872		1,944
Changes in operating assets and liabilities				
Accounts receivable		2,839		(1,979)
Inventories		305		2,923
Due to General Fund		25,546		(41,403)
Deferred revenue		(979)		(136)
Net cash provided by (used in) operating activities		70,338		(8,498)
Cash flows from financing activities				
Loan payments to the Association		(10,000)		-
Net cash used in financing activities		(10,000)		-
Net increase (decrease) in cash and cash equivalents		60,338		(8,498)
Cash and cash equivalents, beginning of year		3,454		11,952
Cash and cash equivalents, end of year	$	63,792	$	3,454