

TO: ALA Executive Board

DATE: January 27, 2014

RE: Controller's Report

ACTION REQUESTED/INFORMATION REPORT:

Presented for information

CONTACT PERSON:

Joanne Lee, Controller, 312-280-4254

BACKGROUND:

The controller submits a quarterly information report to the Executive Board on the following:

Annual Audit - FY 2013
Total ALA Financial Position
Cash Management
Deferred Revenue
Long-Term Debt (Chase)
Trade Accounts Receivable
Inventory
Intangible Assets and Goodwill
Liquidity Ratio

Annual Audit - FY 2013

The ALA's auditor Mueller & Co performed the second year audit for the ALA fiscal year ending August 31, 2013. The audit commenced on November 4, 2013, and the last day of field work was November 22, 2013. The Association has received an unmodified (clean) opinion.

Total ALA Financial Position

	August 31, 2013	August 31, 2012	Change
Total Assets	\$75,389,637	\$76,033,460	(\$643,823)
Total Liabilities	\$44,694,973	\$45,570,809	(\$875,836)
Net Assets	\$30,694,664	\$30,462,651	\$232,013

The decrease in total assets at August 31, 2013 compared to August 31, 2012 is due to the impairment of Goodwill and Intangible Assets, decrease in short-term investment value and Grants receivable offset by the increase in Long-term Investment. The Association had a \$1,000,000 draw from the Bond fund in August 2013 and \$500,000 was repaid in October 2013. The decrease in total liabilities is mainly due to lower grants revenue and decrease in the long-term debt. The first principal payment of \$647,500 was made on July 1, 2013.

	Nov 30, 2013	Nov 30, 2012	Change
Total Assets	\$78,036,468	\$74,299,092	\$3,737,376
Total Liabilities	\$45,511,227	\$45,242,513	\$268,714
Net Assets	\$32,525,241	\$29,056,579	\$3,468,662

The increase in total assets at November 30, 2013 is mainly due to higher cash and long-term investment balance. The year to date unrealized and realized gain at November 2013 is \$2,620,500 and cash is higher due to higher deferred revenue.

	August 31, 2013	August 31, 2012	YTD Budget	Variance
Total Revenue	\$50,249,085	\$49,636,817	\$52,719,238	(\$2,470,153)
Total Expenses	\$50,767,976	\$50,395,150	\$54,267,558	\$3,499,582
Net Revenue	(\$518,891)	(\$758,333)	(\$1,548,320)	\$1,029,429

	Nov 30, 2013	Nov 30, 2012	YTD Budget	Variance
Total Revenue	\$9,518,209	\$8,778,235	\$11,133,369	(\$1,615,160)
Total Expenses	\$10,438,435	\$10,461,871	\$12,111,623	\$1,673,188
Net Revenue	(\$920,226)	(\$1,683,636)	(\$978,254)	\$58,028

The variance in the total revenue is due to realized and unrealized gain from endowment due strong market performance. The variance in the General Fund revenue is due to lower books, Digital Reference, Graphics revenue, and advertising revenue. Division revenue is higher than budget due to strong conference activities, but lower book sales and subscription revenue.

The expenses for both General Fund and Divisions are lower than budget in salaries, publishing related expenses, and operating expenses.

Cash Management

	August 31, 2013	August 31, 2012	Change
Total Cash	\$3,240,293	\$2,672,539	\$567,754
Bond Fund (schedule 1)	\$12,397,093	\$13,828,329	(\$1,431,236)
Total Cash and S-T investment	\$15,637,386	\$16,500,868	(\$863,482)

The decrease in cash and S-T investment balance is due to lower revenue and \$450,000 in unrealized/realized loss for the year. The Association had a \$1,000,000 draw from the Bond fund in August 2013, and \$500,000 repayment was made on October 10, 2013.

	Nov 30, 2013	Nov 30, 2012	Change
Total Cash	\$4,144,934	\$2,427,734	\$1,717,200
Bond Fund (schedule 1)	\$13,164,317	\$13,592,310	(\$427,993)
Total Cash and S-T investment	\$17,309,251	\$16,020,044	\$1,289,207

The increase in cash and S-T investment balance is due to higher deferred revenue and \$87,000 in unrealized/realized gain this Fiscal Year.

Bond Fund Activities

Interest income since December 1991	\$9,812,713	(schedule 1)
Net realized/unrealized gain(loss) since December 1991	\$101,312	(schedule 2)
Year-to-date net realized/unrealized gain(loss)	\$86,770	(schedule 2)

Line of Credit

The Association maintains a \$2,500,000 line of credit with JP Morgan Chase.

There was no outstanding loan as of August 31, 2013.

The Association had a draw on September 13, 2013 for \$500,000 to meet operating cash needs and was repaid in full on September 24, 2013.

Deferred Revenue

	August 31, 2013	August 31, 2012	Change
Membership Dues	\$4,049,838	\$4,204,404	(\$154,566)
Subscriptions	\$2,501,310	\$2,250,476	\$250,834
Conferences-2014 Annual and MW	\$834,816	\$1,305,335	(\$470,519)
Conferences-Division	\$1,848,011	\$1,317,202	\$530,809
Grants and Awards	\$2,691,538	\$3,469,338	(\$777,800)
TOTAL	\$11,925,513	\$12,546,755	(\$621,242)

Membership deferred revenue at August 31, 2013 is lower than August 31, 2012 due to lower personal membership. The increase in deferred subscription revenue is due to increased activities for RDA and CHOICE. The advanced exhibits deposit for annual is lower for Las Vegas compared to Chicago last year. The increase in deferred conference revenue for division is due to two division conferences in FY14, and one in FY13.

	Nov 30, 2013	Nov 30, 2012	Change
Membership Dues	\$3,492,580	\$4,024,542	(\$531,962)
Subscriptions	\$2,391,076	\$2,435,468	(\$44,392)
Conferences-2014 Annual and MW	\$3,279,181	\$3,543,996	(\$264,815)
Conferences-Division	\$1,941,237	\$1,378,323	\$562,914
Grants and Awards	\$4,084,724	\$3,336,536	\$748,188
TOTAL	\$15,188,798	\$14,718,865	\$469,933

Long-Term Debt

The Association has obtained a term loan from JP Morgan CHASE in the amount of \$10,100,000 on July 2, 2012.

The loan is to support the acquisition of Neal-Schuman Publishers, Inc., to refinance the Washington D.C. office series 2006 Bonds, refinance a term loan related to a commercial condo office in Connecticut, to fund a swap termination payment, and to fund certain costs of issuance. Schedule of principal payment and amortization schedule is attached.

The first principal payment was made on July 1, 2013 in the amount of \$647,500. Interest payments are made monthly. From July 2013 to June 2014, \$50,000 is being set aside every month from the operating fund to meet the cash needs. The next payment is due on July 1, 2014. The fund is invested in Blackrock Strategic fund.

The \$10,100,000 loan is related to the following purchase of assets and has been allocated as follows:

	LOAN AMOUNT	%	Principal Payment	Interest payment Monthly
NEAL SCHUMAN	\$5,811,491	57.54%	\$372,568	\$17,515
DC	\$2,705,000	26.78%	\$173,415	\$8,152
CHOICE	\$1,583,509	15.68%	\$101,517	\$4,772
TOTAL LOAN	\$10,100,000	100.00%	\$647,500	\$30,440

Trade Accounts Receivable

Trade Accounts Receivable(Sched 3)	August 31, 2013	August 31, 2012	Change
Current	\$1,276,104	\$1,147,582	\$128,522
30 days	\$502,781	\$323,688	\$179,093
60 days	\$205,993	\$365,141	(\$159,148)
90 days	\$89,383	\$135,738	(\$46,355)
120 days	\$16,135	\$3,831	\$12,304
150 days	(\$17,643)	(\$133,911)	\$116,268
Total	\$2,072,753	\$1,842,069	\$230,684

Trade Accounts Receivable(Sched 3)	Nov 30, 2013	Nov 30, 2012	Change
Current	\$1,130,686	\$1,026,297	\$104,389
30 days	(\$17,126)	\$308,362	(\$325,488)
60 days	\$191,747	\$242,693	(\$50,946)
90 days	\$3,280	\$44,011	(\$40,731)
120 days	\$20,369	(\$3,312)	\$23,681
150 days	\$17,251	(\$101,191)	\$118,442
Total	\$1,346,207	\$1,516,860	(\$170,653)

Inventory

Inventory Levels (Sched 4)	August 31, 2013	August 31, 2012	Change
ALA Editions	\$949,027	\$865,274	\$83,753
Neal-Schuman	\$785,543	\$671,444	\$114,099
Graphics	\$521,304	\$541,212	(\$19,908)
TOTAL	\$2,255,874	\$2,077,930	\$177,944

Inventory Reserve Levels (sched 5)	August 31, 2013	August 31, 2012	Change
ALA Editions	\$289,431	\$245,450	\$43,981
Neal-Schuman	\$168,782	\$140,000	\$28,782
Graphics	\$125,142	\$131,733	(\$6,591)
TOTAL	\$583,355	\$517,183	\$66,172

Inventory Levels (Sched 4)	Nov 30, 2013	Nov 30, 2012	Change
ALA Editions	\$970,339	\$861,015	\$109,324
Neal-Schuman	\$796,604	\$647,433	\$149,171
Graphics	\$494,454	\$539,418	(\$44,964)
TOTAL	\$2,261,397	\$2,047,866	\$213,531

Inventory Reserve Levels (sched 5)	Nov 30, 2013	Nov 30, 2012	Change
ALA Editions	\$305,414	\$245,450	\$59,964
Neal-Schuman	\$187,037	\$140,000	\$47,037
Graphics	\$128,101	\$131,730	(\$3,629)
TOTAL	\$620,552	\$517,180	\$103,372

Intangible Assets and Goodwill (schedule 6)

	At 08/31/13	Impairment	At 11/30/13
Intangible Assets	\$4,250,000	(\$380,000)	\$3,870,000
Amortization	(\$1,004,636)		(\$1,154,802)
Net Intangible Assets	\$3,245,364		\$2,715,198
Goodwill (including Workforce)	\$2,326,567	(\$500,000)	\$1,826,567
Total Net Intangible Assets and Goodwill	\$5,571,931	(\$880,000)	\$4,541,765

The analysis of an impairment of goodwill and intangible assets was performed by Plante Moran. The analysis of Goodwill and Intangible Assets has resulted \$500,000 write down of Goodwill from \$2,326,567 to \$1,826,567 and \$380,000 write down of Intangible Assets from \$4,250,000 to \$3,870,000. A revised amortization schedule is attached.

Liquidity Ratio (schedule 7)

In conjunction with Chase long-term debt arrangements, the Association is required to maintain certain financial ratios.

At August 31, 2013	Ratio	Required
Debt Service coverage Ratio	3.14	1.1:1.0
Cash to Debt Ratio	3.69	1.1:1.0

At November 30, 2013	Ratio	Required
Debt Service coverage Ratio	-0.1	1.1:1.0
Cash to Debt Ratio	3.88	1.1:1.0

In the event the Cash to Debt Ratio is greater than 1.1 to 1.0 but less than 1.5 to 1.0 as of the end of any two consecutive semi-annual accounting periods, the quarterly financial statements should be furnished to JP Morgan Chase within 60 days after the close of each quarter. A Compliance Certificate to JP Morgan Chase is required evidencing a Cash to Debt Ratio of at least 1.5 to 1.0. The Association has filed the compliance certificate with JP Morgan Chase at February 28, 2013. The August 31, 2013 Compliance Certificate is to be filed with JP Morgan Chase.

NEUBERGER BERMAN ACCOUNTS
AS OF AUGUST 31, XXXX

SCHEDULE 1

YEAR	MARKET VALUE	INTEREST INCOME	YIELD	
1991	\$1,493,202	\$5,529	6.60%	
1992	\$2,107,981	\$91,630	6.82%	
1993	\$4,717,417	\$174,093	5.93%	
1994	\$4,726,074	\$264,791	4.94%	
1995	\$5,784,008	\$319,958	6.57%	
1996	\$5,990,229	\$374,246	6.53%	
1997	\$6,377,031	\$400,808	6.25%	
1998	\$6,855,814	\$418,743	6.30%	
1999	\$7,005,423	\$422,880	6.11%	
2000	\$7,324,250	\$422,114	6.12%	
2001	\$9,794,308	\$521,609	5.90%	
2002	\$10,399,702	\$579,012	5.09%	
2003	\$11,037,007	\$474,382	3.81%	
2004	\$11,248,222	\$444,196	4.19%	
2005	\$11,429,831	\$485,123	4.26%	
2006	\$11,685,678	\$477,319	4.68%	
2007	\$12,238,592	\$570,448	4.17%	
2008	\$14,801,391	\$578,827	4.54%	
2009	\$15,260,990	\$759,392	4.10%	
2010	\$15,642,158	\$689,946	3.66%	
2011	\$15,108,118	\$564,091	3.48%	
2012	\$13,824,947	\$361,805	2.75%	
2013	\$12,397,094	\$322,056	2.52%	
Nov 2013	\$13,164,317	\$89,715	2.25%	
		9,812,713	4.90%	AVG

AMERICAN LIBRARY ASSOCIATION
 NEUBERGER BERMAN BOND FUND
 STATEMENT OF UNREALIZED/REALIZED GAINS AND LOSSES
 FOR THE TWELVE MONTHS ENDING AUGUST 31, 2014

SCHEDULE 2

MONTH	NEUBERGER #1		NEUBERGER #2		M/L - PPG		NET
	UNREALIZED	REALIZED	UNREALIZED	REALIZED	UNREALIZED	REALIZED	
09/30/2013	20,107	(9,075)	34,691	(4,887)	29,713	0	70,549
10/31/2013	7,241	0	28,338	(12,690)	17,878	0	40,767
11/30/2013	754	0	(12,268)	11	(9,400)	(3,643)	(24,546)
12/31/2013							0
01/31/2014							0
02/28/2014							0
03/31/2014							0
04/30/2014							0
05/31/2014							0
06/30/2014							0
07/31/2014							0
08/31/2014							0
TOTAL - FY13	28,102	(9,075)	50,761	(17,566)	38,191	(3,643)	86,770
FY 1993	58,654	12,277	0	0	0	0	70,931
FY 1994	(156,399)	(69,198)	0	0	0	0	(225,597)
FY 1995	93,596	(22,622)	4,226	(105)	0	0	75,095
FY 1996	(66,905)	(1,983)	(22,489)	3,738	0	0	(87,639)
FY 1997	26,857	24,234	22,728	(6,023)	0	0	67,796
FY 1998	66,645	2,908	29,601	6,348	0	0	105,502
FY 1999	(92,624)	(34,831)	(60,828)	7,844	(56,811)	(17,950)	(255,200)
FY 2000	56,095	(48,716)	36,945	(30,200)	31,671	(34,284)	11,511
FY 2001	125,591	39,538	51,791	22,697	34,830	24,279	298,726
FY 2002	(39,265)	17,957	73,991	14,918	(3,901)	14,517	78,217
FY 2003	(76,357)	2,002	(112,917)	87,065	(53,834)	34,883	(119,158)
FY 2004	(47,062)	(44,618)	(10,436)	(22,627)	(15,989)	2,356	(138,376)
FY 2005	12,975	(94,536)	(58,538)	(31,551)	(18,621)	(26,748)	(217,019)
FY 2006	43,418	(70,473)	18,414	(61,209)	(30,270)	(32,026)	(132,146)
FY 2007	34,262	(1,670)	36,894	(14,040)	38,930	(2,681)	91,695
FY 2008	(22,135)	30,685	(27,305)	41,559	36,856	29,713	89,373
FY 2009	74,398	2,372	191,239	(89,612)	203,298	355	382,050
FY 2010	50,457	(1,242)	146,792	(2,911)	92,065	29,923	315,084
FY 2011	(28,259)	5,161	(56,709)	65,376	(13,306)	24,704	(3,033)
FY 2012	37,222	(58,869)	(56,519)	85,789	(27,010)	41,872	22,485
FY 2013	(10,210)	(56,127)	(140,411)	(28,546)	(65,117)	(115,344)	(415,755)
TOTAL	169,056	(376,826)	117,230	30,944	190,982	(30,074)	101,312

**AMERICAN LIBRARY ASSOCIATION
AGING OF TRADE ACCOUNTS RECEIVABLE**

SCHEDULE 3

FISCAL YEAR 2014	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	150 DAYS	TOTAL
SEPTEMBER 2013	\$1,479,955	\$358,560	\$222,779	\$37,145	\$53,136	(\$58,368)	\$2,093,207
OCTOBER 2013	\$768,532	\$474,765	\$59,398	\$30,975	\$20,090	(\$16,581)	\$1,337,179
NOVEMBER 2013	\$1,130,686	(\$17,126)	\$191,747	\$3,280	\$20,369	\$17,251	\$1,346,207
DECEMBER 2013							\$0
JANUARY 2014							\$0
FEBRUARY 2014							\$0
MARCH 2014							\$0
APRIL 2014							\$0
MAY 2014							\$0
JUNE 2014							\$0
JULY 2014							\$0
AUGUST 2014							\$0
TOTAL - FY 2014							4,776,593
FY 2014 AVERAGE	\$1,126,391	\$272,066	\$157,975	\$23,800	\$31,198	(\$19,233)	\$1,592,198
%	59.24%	14.31%	8.31%	1.25%	1.64%	-1.01%	83.74%

FISCAL YEAR 2013	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	150 DAYS	TOTAL
SEPTEMBER 2012	\$1,855,593	\$279,993	\$58,586	\$93,706	(\$4,837)	(\$125,915)	\$2,157,126
OCTOBER 2012	\$1,403,298	\$476,768	\$90,124	(\$2,082)	\$21,008	(\$110,422)	\$1,878,694
NOVEMBER 2012	\$1,026,297	\$308,362	\$242,693	\$44,011	(\$3,312)	(\$101,191)	\$1,516,860
DECEMBER 2012	\$984,200	\$305,695	\$142,331	\$63,647	\$24,731	(\$54,082)	\$1,466,572
JANUARY 2013	\$1,472,194	\$169,992	\$111,394	\$61,063	\$13,133	(\$42,411)	\$1,785,365
FEBRUARY 2013	\$1,218,040	\$400,643	\$93,163	\$28,670	\$35,122	(\$25,632)	\$1,750,006
MARCH 2013	\$1,725,848	\$362,256	\$152,569	\$6,833	(\$26,391)	(\$18,743)	\$2,202,372
APRIL 2013	\$1,274,228	\$646,566	\$110,661	\$65,773	\$543	(\$54,262)	\$2,043,509
MAY 2013	\$1,536,477	\$311,058	\$204,993	\$3,558	\$12,568	(\$43,158)	\$2,025,496
JUNE 2013	\$1,402,636	\$455,794	\$171,338	\$4,833	\$8,686	(\$7,550)	\$2,035,737
JULY 2013	\$1,113,702	\$472,300	\$290,211	\$51,786	(\$19,898)	(\$25,506)	\$1,882,595
AUGUST 2013	\$1,276,104	\$502,781	\$205,993	\$89,383	\$16,135	(\$17,643)	\$2,072,753
TOTAL - FY 2013	\$16,288,617	\$4,692,208	1,874,056	511,181	77,488	(626,515)	22,817,035
FY 2013 AVERAGE	\$1,357,385	\$391,017	\$156,171	\$42,598	\$6,457	(\$52,210)	\$1,901,420
%	71.39%	20.56%	8.21%	2.24%	0.34%	-2.75%	100.00%

**AMERICAN LIBRARY ASSOCIATION
HISTORICAL INVENTORY LEVELS
AS OF AUGUST 31, XXXX**

SCHEDULE 4

YEAR	GRAPHICS	% CHANGE	ALA EDITIONS	% CHANGE	NEAL SCHUMAN	% CHANGE	TOTAL ALA EDITIONS	% CHANGE
1989	544,608		697,828				1,242,436	
1990	757,983	39.18%	718,588	2.97%			1,476,571	18.84%
1991	661,005	-12.79%	769,198	7.04%			1,430,203	-3.14%
1992	686,760	3.90%	711,549	-7.49%			1,398,309	-2.23%
1993	715,912	4.24%	696,409	-2.13%			1,412,321	1.00%
1994	729,317	1.87%	635,325	-8.77%			1,364,642	-3.38%
1995	809,352	10.97%	604,194	-4.90%			1,413,546	3.58%
1996	790,814	-2.29%	1,092,104	80.75%			1,882,918	33.21%
1997	729,902	-7.70%	963,897	-11.74%			1,693,799	-10.04%
1998	569,061	-22.04%	1,094,600	13.56%			1,663,661	-1.78%
1999	463,294	-18.59%	956,806	-12.59%			1,420,100	-14.64%
2000	573,551	23.80%	991,841	3.66%			1,565,392	10.23%
2001	557,678	-2.77%	849,889	-14.31%			1,407,567	-10.08%
2002	534,669	-4.13%	728,283	-14.31%			1,262,952	-10.27%
2003	498,778	-6.71%	794,103	9.04%			1,292,881	2.37%
2004	571,892	14.66%	835,846	5.26%			1,407,738	8.88%
2005	622,796	8.90%	718,072	-14.09%			1,340,868	-4.75%
2006	664,832	6.75%	699,378	-2.60%			1,364,210	1.74%
2007	692,621	4.18%	726,314	3.85%			1,418,935	4.01%
2008	616,266	-11.02%	619,219	-14.75%			1,235,485	-12.93%
2009	739,434	19.99%	716,785	15.76%			1,456,219	17.87%
2010	641,745	-13.21%	798,104	11.34%			1,439,849	-1.12%
2011	581,257	-9.43%	840,551	5.32%			1,421,808	-1.25%
2012	541,212	-6.89%	865,274	2.94%	671,444		2,077,930	46.15%
2013	521,304	-3.68%	949,027	9.68%	785,543	16.99%	2,255,874	8.56%
Nov-13	494,454	-5.15%	970,339	2.25%	796,604	1.41%	2,261,397	0.24%

**AMERICAN LIBRARY ASSOCIATION
HISTORICAL INVENTORY RESERVE LEVELS
AS OF AUGUST 31, XXXX**

SCHEDULE 5

YEAR	GRAPHICS	% CHANGE		ALA EDITIONS	% CHANGE		NEAL SCHUMAN	% CHANGE		TOTAL ALA EDITIONS	% CHANGE		% OF TOTAL INVENTORY
1989	181,200			253,172						434,372			34.96%
1990	181,200	0.00%	-26.53%	186,009	-26.53%					367,209	-15.46%		24.87%
1991	133,866	-26.12%	-26.94%	135,898	-26.94%					269,764	-26.54%		18.86%
1992	125,082	-6.56%	-13.25%	117,891	-13.25%					242,973	-9.93%		17.38%
1993	137,328	9.79%	-21.70%	92,309	-21.70%					229,637	-5.49%		16.26%
1994	76,767	-44.10%	19.22%	110,047	19.22%					186,814	-18.65%		13.69%
1995	103,033	34.22%	-9.12%	100,011	-9.12%					203,044	8.69%		14.36%
1996	121,319	17.75%	16.31%	116,322	16.31%					237,641	17.04%		12.62%
1997	225,403	85.79%	48.89%	173,195	48.89%					398,598	67.73%		23.53%
1998	109,080	-51.61%	65.84%	287,228	65.84%					396,308	-0.57%		23.82%
1999	151,508	38.90%	16.24%	333,862	16.24%					485,370	22.47%		34.18%
2000	130,652	-13.77%	-9.72%	301,402	-9.72%					432,054	-10.98%		27.60%
2001	77,539	-40.65%	-27.75%	217,774	-27.75%					295,313	-31.65%		20.98%
2002	50,870	-34.39%	8.41%	236,096	8.41%					286,966	-2.83%		22.72%
2003	75,094	47.62%	18.96%	280,851	18.96%					355,945	24.04%		27.53%
2004	75,390	0.39%	5.28%	295,668	5.28%					371,058	4.25%		26.36%
2005	116,109	54.01%	-9.11%	268,718	-9.11%					384,827	3.71%		28.70%
2006	159,162	37.08%	10.00%	295,589	10.00%					454,751	18.17%		33.33%
2007	137,698	-13.49%	-6.33%	276,886	-6.33%					414,584	-8.83%		29.22%
2008	109,602	-20.40%	17.76%	326,062	17.76%					435,664	5.08%		35.26%
2009	201,328	83.69%	-12.34%	285,829	-12.34%					487,157	11.82%		33.45%
2010	158,100	-21.47%	-10.49%	255,851	-10.49%					413,951	-15.03%		28.75%
2011	137,652	-12.93%	3.49%	264,782	3.49%					402,434	-2.78%		28.30%
2012	131,733	-4.30%	-7.30%	245,450	-7.30%	140,000				517,183	28.51%		24.89%
2013	125,142	-5.00%	17.92%	289,431	17.92%	168,782				583,355	12.79%		28.49%
Nov-13	128,101	2.36%	5.52%	305,414	5.52%	187,037				620,552	6.38%		27.44%

**Amortization schedule
Intangible Assets and Goodwill**

SCHEDULE 6

	Fair Value 12/23/2011	Useful Life (Years)	FY 2012	FY 2013	IMPAIRMENT FY 2013	ADJUSTED FAIR VALUE	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL
Intangible Assets																
Non-Compete Agreement	\$74,000	4	9,250	18,500		74,000	18,500	18,500	9,250							74,000
Trademarks & Brands Extension	\$1,684,000	10	84,200	168,400		1,684,000	168,400	168,400	168,400	168,400	168,400	168,400	168,400	168,400	84,200	1,684,000
Backlist	\$516,000	3	86,000	172,000		516,000	172,000	86,000								516,000
Distribution Relationship	\$631,000	7	45,071	90,143	(775,000)	56,000	40,143	40,143	40,143	40,143	40,143	20,071				356,000
Co-Publishing Relationship	\$988,000	7	71,286	142,571		988,000	142,571	142,571	142,571	142,571	142,571	71,288				988,000
Online & Catalog	\$150,000	3	25,000	50,000		150,000	50,000	25,000								150,000
Customer Relationship	\$197,000	7	14,071	28,143	(105,000)	92,000	9,052	9,052	9,052	9,052	9,052	4,526				92,000
Total Intangible Assets			334,879	669,757	(390,000)	1,870,000	800,666	489,866	369,416	360,166	360,166	264,285	168,400	168,400	84,200	3,870,000
Cumulative amortization			334,879	1,004,836		1,004,836	1,605,302	2,094,868	2,464,384	2,824,550	3,184,716	3,449,000	3,617,400	3,785,800	3,870,000	
Net Intangible Assets	\$4,250,000		3,915,121	3,245,364		2,865,164	2,264,698	1,775,032	1,405,616	1,045,450	685,284	421,000	252,600	84,200	(0)	
Goodwill	\$2,326,567	Indefinite	\$2,326,567	\$2,326,567	(\$10,000)	\$1,826,567	\$1,826,567	\$1,326,567	\$1,826,567	\$1,826,567	\$1,826,567	\$1,826,567	\$1,826,567	\$1,826,567	\$1,826,567	\$1,826,567
Net Intangible Assets and Goodwill	\$6,576,567		\$6,241,688	\$5,571,931	(\$860,000)	\$4,691,931	\$3,601,589	\$3,232,183	\$2,872,017	\$2,511,861	\$2,247,567	\$2,079,167	\$1,910,767	\$1,826,567	\$1,826,567	\$1,826,567

	November 30, 2013	November 30, 2012	August 31, 2013 Audited	August 31, 2012 Audited
DEBT SERVICE COVERAGE RATIO				
CHANGE IN UNRESTRICTED NET ASSETS	\$1,636,298	(\$1,574,511)	\$465,514	\$589,555
POST RETIREMENT BENEFITS	\$0	\$0	\$329,244	\$341,853
DEPRECIATION	\$479,007	\$481,225	\$1,926,217	\$1,643,990
AMORTIZATION	\$329,084	\$366,280	\$1,385,864	\$1,286,146
INTEREST EXPENSE	\$94,083	\$99,331	\$412,768	\$235,523
LETTER OF CREDIT FEE	\$0	\$0	\$0	\$17,711
IMPAIRMENT OF GW & INTANGIBLE ASSETS	\$0	\$0	\$880,000	\$0
REALIZED/UNREALIZED GAINS/LOSSES	(\$2,620,539)	\$133,916	(\$1,628,355)	(\$1,062,154)
TOTAL CASH FLOW (A)	(\$82,067)	(\$493,759)	\$3,771,252	\$3,052,624
CURRENT PORTION -LONG TERM DEBT	\$647,500	\$647,500	\$647,500	\$647,500
CURRENT PORTION -CAPITAL LEASE	\$102,037	\$178,205	\$142,090	\$223,816
INTEREST EXPENSE	\$94,083	\$99,331	\$412,768	\$235,523
LETTER OF CREDIT FEE	\$0	\$0	\$0	\$17,711
TOTAL CURRENT LONG TERM DEBT (B)	\$843,620	\$925,036	\$1,202,358	\$1,124,550
DEBT SERVICE COVERAGE (A/B)	(0.10)	(0.53)	3.14	2.71
DEBT BENCHMARK	1.1 TO 1.0	1.1 TO 1.0	1.1 TO 1.0	1.1 TO 1.0
CASH TO DEBT RATIO				
	November 30, 2013	November 30, 2012	August 31, 2013 Audited	August 31, 2012 Audited
CASH AND EQUIVALENT	\$4,144,936	\$2,427,734	\$3,215,197	\$2,672,539
SHORT-TERM INVESTMENT	\$13,196,222	\$13,592,310	\$12,397,093	\$13,828,329
LONG-TERM INVESTMENT	\$37,071,600	\$32,466,629	\$34,381,883	\$32,560,816
TOTAL CASH AND INVESTMENTS	\$54,412,758	\$48,486,673	\$49,994,173	\$49,061,684
TEMPORARILY RESTRICTED NET ASSETS	\$4,619,779	\$4,021,087	\$3,761,735	\$5,048,836
PERMANENTLY RESTRICTED NET ASSETS	\$514,700	\$514,700	\$514,700	\$514,700
DEFERRED REVENUE	\$11,104,073	\$11,382,329	\$9,232,922	\$9,077,417
NET ASSETS AND DEFERRED REVENUE	\$16,238,552	\$15,918,116	\$13,509,357	\$14,640,953
UNRESTRICTED CASH AND INVESTMENT(A)	\$38,174,206	\$32,568,557	\$36,484,816	\$34,420,731
CURRENT PORTION OF LONG-TERM DEBT	\$647,500	\$647,500	\$647,500	\$647,500
NON-CURR PORTION OF LONG-TERM DEBT	\$8,805,000	\$9,452,500	\$8,805,000	\$9,452,500
CURRENT PORTION OF CAPITAL LEASE	\$102,037	\$178,205	\$142,090	\$223,816
NON-CURR PORTION OF CAPITAL LEASE	\$283,615	\$485,209	\$283,615	\$485,209
TOTAL INDEBTEDNESS(B)	\$9,838,152	\$10,763,414	\$9,878,205	\$10,809,025
CASH TO DEBT RATIO (A/B)	3.88	3.03	3.69	3.18
CASH TO DEBT BENCHMARK	1.1 TO 1.0	1.1 TO 1.0	1.1 TO 1.0	1.1 TO 1.0

Yearly Amortization

Date	Outstanding Principal	Principal Payment	Interest Payment	Total Payment	Ending Principal
07/01/2012	\$10,100,000.00	\$0.00	\$353,500.00	\$353,500.00	\$10,100,000.00
07/01/2013	\$10,100,000.00	\$647,500.00	\$353,500.00	\$1,001,000.00	\$9,452,500.00
07/01/2014	\$9,452,500.00	\$647,500.00	\$330,837.50	\$978,337.50	\$8,805,000.00
07/01/2015	\$8,805,000.00	\$647,500.00	\$308,175.00	\$955,675.00	\$8,157,500.00
07/01/2016	\$8,157,500.00	\$1,147,500.00	\$285,512.50	\$1,433,012.50	\$7,010,000.00
07/01/2017	\$7,010,000.00	\$1,147,500.00	\$245,350.00	\$1,392,850.00	\$5,862,500.00
07/01/2018	\$5,862,500.00	\$1,147,500.00	\$205,187.50	\$1,352,687.50	\$4,715,000.00
07/01/2019	\$4,715,000.00				

Monthly Amortization

Date	Outstanding Principal	Principal Payment	Interest Payment	Total Payment	Ending Principal
08/01/2012	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
09/01/2012	\$10,100,000.00	\$0.00	\$29,458.33	\$29,458.33	\$10,100,000.00
10/01/2012	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
11/01/2012	\$10,100,000.00	\$0.00	\$29,458.33	\$29,458.33	\$10,100,000.00
12/01/2012	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
01/01/2013	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
02/01/2013	\$10,100,000.00	\$0.00	\$27,494.44	\$27,494.44	\$10,100,000.00
03/01/2013	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
04/01/2013	\$10,100,000.00	\$0.00	\$29,458.33	\$29,458.33	\$10,100,000.00
05/01/2013	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
06/01/2013	\$10,100,000.00	\$0.00	\$29,458.33	\$29,458.33	\$10,100,000.00
07/01/2013	\$10,100,000.00	\$647,500.00	\$30,440.28	\$677,940.28	\$9,452,500.00
08/01/2013	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
09/01/2013	\$9,452,500.00	\$0.00	\$27,569.79	\$27,569.79	\$9,452,500.00
10/01/2013	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
11/01/2013	\$9,452,500.00	\$0.00	\$27,569.79	\$27,569.79	\$9,452,500.00
12/01/2013	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
01/01/2014	\$9,452,500.00	\$0.00	\$25,731.81	\$25,731.81	\$9,452,500.00
02/01/2014	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
03/01/2014	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
04/01/2014	\$9,452,500.00	\$0.00	\$27,569.79	\$27,569.79	\$9,452,500.00
05/01/2014	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
06/01/2014	\$9,452,500.00	\$0.00	\$27,569.79	\$27,569.79	\$9,452,500.00
07/01/2014	\$9,452,500.00	\$647,500.00	\$28,488.78	\$675,988.78	\$8,805,000.00
08/01/2014	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
09/01/2014	\$8,805,000.00	\$0.00	\$25,681.25	\$25,681.25	\$8,805,000.00
10/01/2014	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
11/01/2014	\$8,805,000.00	\$0.00	\$25,681.25	\$25,681.25	\$8,805,000.00
12/01/2014	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
01/01/2015	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
02/01/2015	\$8,805,000.00	\$0.00	\$23,969.17	\$23,969.17	\$8,805,000.00
03/01/2015	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
04/01/2015	\$8,805,000.00	\$0.00	\$25,681.25	\$25,681.25	\$8,805,000.00

05/01/2015	31	0.086	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
06/01/2015	30	0.083	\$8,805,000.00	\$0.00	\$25,681.25	\$25,681.25	\$8,805,000.00
07/01/2015	31	0.086	\$8,805,000.00	\$647,500.00	\$26,537.29	\$674,037.29	\$8,157,500.00
08/01/2015	31	0.086	\$8,157,500.00	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
09/01/2015	30	0.083	\$8,157,500.00	\$0.00	\$23,792.71	\$23,792.71	\$8,157,500.00
10/01/2015	31	0.086	\$8,157,500.00	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
11/01/2015	30	0.086	\$8,157,500.00	\$0.00	\$23,792.71	\$23,792.71	\$8,157,500.00
12/01/2015	31	0.086	\$8,157,500.00	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
01/01/2016	31	0.086	\$8,157,500.00	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
02/01/2016	29	0.081	\$8,157,500.00	\$0.00	\$22,999.62	\$22,999.62	\$8,157,500.00
03/01/2016	31	0.086	\$8,157,500.00	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
04/01/2016	30	0.083	\$8,157,500.00	\$0.00	\$23,792.71	\$23,792.71	\$8,157,500.00
05/01/2016	31	0.086	\$8,157,500.00	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
06/01/2016	30	0.083	\$8,157,500.00	\$0.00	\$23,792.71	\$23,792.71	\$8,157,500.00
07/01/2016	31	0.086	\$8,157,500.00	\$1,147,500.00	\$24,585.80	\$1,172,085.80	\$7,010,000.00
08/01/2016	31	0.086	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
09/01/2016	30	0.083	\$7,010,000.00	\$0.00	\$20,445.83	\$20,445.83	\$7,010,000.00
10/01/2016	31	0.086	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
11/01/2016	30	0.083	\$7,010,000.00	\$0.00	\$20,445.83	\$20,445.83	\$7,010,000.00
12/01/2016	31	0.086	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
01/01/2017	31	0.086	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
02/01/2017	28	0.078	\$7,010,000.00	\$0.00	\$19,082.78	\$19,082.78	\$7,010,000.00
03/01/2017	31	0.086	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
04/01/2017	30	0.083	\$7,010,000.00	\$0.00	\$20,445.83	\$20,445.83	\$7,010,000.00
05/01/2017	31	0.086	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
06/01/2017	30	0.083	\$7,010,000.00	\$0.00	\$20,445.83	\$20,445.83	\$7,010,000.00
07/01/2017	31	0.086	\$7,010,000.00	\$1,147,500.00	\$21,127.36	\$1,168,627.36	\$5,862,500.00
08/01/2017	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
09/01/2017	30	0.083	\$5,862,500.00	\$0.00	\$17,098.96	\$17,098.96	\$5,862,500.00
10/01/2017	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
11/01/2017	30	0.083	\$5,862,500.00	\$0.00	\$17,098.96	\$17,098.96	\$5,862,500.00
12/01/2017	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
01/01/2018	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
02/01/2018	28	0.078	\$5,862,500.00	\$0.00	\$15,959.03	\$15,959.03	\$5,862,500.00
03/01/2018	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
04/01/2018	30	0.083	\$5,862,500.00	\$0.00	\$17,098.96	\$17,098.96	\$5,862,500.00
05/01/2018	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
06/01/2018	30	0.083	\$5,862,500.00	\$0.00	\$17,098.96	\$17,098.96	\$5,862,500.00
07/01/2018	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
08/01/2018	31	0.086	\$4,715,000.00	\$1,147,500.00	\$17,668.92	\$1,165,168.92	\$4,715,000.00
09/01/2018	30	0.086	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00
10/01/2018	31	0.086	\$4,715,000.00	\$0.00	\$13,752.08	\$13,752.08	\$4,715,000.00
11/01/2018	30	0.083	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00
12/01/2018	31	0.086	\$4,715,000.00	\$0.00	\$13,752.08	\$13,752.08	\$4,715,000.00
01/01/2019	31	0.086	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00
02/01/2019	28	0.078	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00
03/01/2019	31	0.086	\$4,715,000.00	\$0.00	\$12,835.28	\$12,835.28	\$4,715,000.00
					\$14,210.49	\$14,210.49	\$4,715,000.00

04/01/2019	30	0.083	\$4,715,000.00	\$0.00	\$13,752.08	\$13,752.08	\$4,715,000.00
05/01/2019	31	0.086	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00
06/01/2019	30	0.083	\$4,715,000.00	\$0.00	\$13,752.08	\$13,752.08	\$4,715,000.00
07/01/2019			\$4,715,000.00				\$4,715,000.00