

**EBD #4.2  
2014-2015**

**TO:** ALA Executive Board

**DATE:** October 23, 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:

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## 2014 Annual Audit

The ALA's auditor Mueller & Co will be conducting the third year audit for the ALA fiscal year ending August 31, 2014. The Association's FY14 preliminary audit was completed in July 2014, and the field work is scheduled to commence on November 3rd through November 21st, 2014.

### Total ALA Financial Position

<b>TOTAL ALA</b>	<b>August 31, 2014</b>	<b>August 31, 2013</b>	<b>Change</b>
<b>Total Assets</b>	\$80,392,746	\$75,519,088	\$4,873,658
<b>Total Liabilities</b>	\$41,650,565	\$44,694,161	(\$3,043,596)
<b>Net Assets</b>	\$38,742,181	\$30,824,927	\$7,917,254

The increase in total assets at August 31, 2014 compared to August 31, 2013 is due to higher value of the Long-Term Investment, higher Short-Term Investment balance, offset by lower net Intangible Assets due to amortization.

The Endowment balance at August 31, 2014 is \$40,221,326, which is \$5,839,443 higher than August 31, 2013.

The Short-Term investment balance at August 31, 2014 is \$14,324,307, which is \$1,918,311 higher than August 31, 2013.

This is mainly due to the repayment of the \$1,000,000 draw in August 2013 and \$700,000 set aside from operating cash account to pay the JPMorgan Chase loan. The July 2014 loan payment was paid from the operating account.

The decrease in total liabilities is due to lower Account Payable, lower Postretirement benefit obligation, lower deferred conference revenue, and lower long-term liability. Total ALA Net Asset Balance increased by \$7,917,254 mainly due to higher value of the Long-Term Investment.

### Total ALA Statement of Revenues and Expenses

<b>TOTAL ALA(All Funds)</b>	<b>YTD Actual August 31, 2014</b>	<b>YTD Budget August 31, 2014</b>	<b>YTD Variance</b>	<b>YTD Actual August 31, 2013</b>
<b>Total Revenue</b>	\$50,026,335	\$50,613,414	(\$587,079)	\$50,006,692
<b>Total Expenses</b>	\$48,044,226	\$50,903,949	\$2,859,723	\$49,890,191
<b>Net Revenue from Operations</b>	\$1,982,109	(\$290,535)	\$2,272,644	\$116,501

Total ALA revenue is \$587,079 less than budget, mainly in General Fund.

Total ALA expenses are \$2,859,723 less than budget. General Fund expenses are \$1,062,900 under budget and Divisions are \$1,781,630 under budget. The expense savings are in payroll related expenses, meetings and conferences expenses, publication related expenses and operating expenses, offset by higher professional services expenses.

Total ALA net revenue from operations which excludes the Technology Reserve expenses and combined net realized and unrealized gain from Long-Term Investment is \$1,982,109 which is \$2,272,644 better than budget. This is mainly due to strong Division performance.

<b>GENERAL FUND</b>	<b>YTD Actual August 31, 2014</b>	<b>YTD Budget August 31, 2014</b>	<b>YTD Variance</b>	<b>YTD Actual August 31, 2013</b>
<b>Total Revenue</b>	\$28,313,277	\$28,821,439	(\$508,162)	\$28,662,911
<b>Total Expenses</b>	\$27,758,539	\$28,821,439	\$1,062,900	\$28,552,032
<b>Net Revenue from Operations</b>	\$554,738	\$0	\$554,738	\$110,879

General fund net revenue is \$554,738 more than budget.

Revenue is less than budget due to lower publication related sales and dues revenue, offset by higher advertising revenue and Annual Conference revenue. Expenses are lower than budget due to lower payroll related expenses, publication related expenses, postage expenses and depreciation expenses, offset by higher conference related expenses.

## Cash Management

	<b>August 31, 2014</b>	<b>August 31, 2013</b>	<b>Change</b>
<b>Total Cash</b>	\$2,185,623	\$3,206,294	(\$1,020,671)
<b>Bond Fund (schedule 1)</b>	\$14,324,307	\$12,405,996	\$1,918,311
<b>Total Cash and S-T investment</b>	\$16,509,930	\$15,612,290	\$897,640

The Short-Term Investment balance is higher due to repayment of loan and cash is lower due to two Division National Conferences in FY14. 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, and the balance was paid in April 2014. The balance also includes \$700,000 set aside from operating cash to meet long-term debt payment. The July 2014 principal payment was paid from the operating account.

## Bond Fund Activities

Interest income since December 1991	\$10,019,852	(schedule 1)
Net realized/unrealized gain(loss) since December 1991	\$162,921	(schedule 2)
Year-to-date net realized/unrealized gain(loss)	\$148,379	(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, 2014. The line of credit was renewed effective June 30, 2014.

## Endowment

(Schedule 3)	August 31, 2014	August 31, 2013	Change
Investment Balance	\$40,221,326	\$34,381,883	\$5,839,443
YTD Realized/Unrealized Gain/Loss	\$4,783,228	\$2,075,160	\$2,708,068
YTD Interest/Dividend, net of transfer	\$745,376	\$521,164	\$224,212

The year-to-date Long-Term Investment realized and unrealized gain of \$4,783,228 is comprised of \$1,345,972 of realized gain and \$3,437,256 of unrealized gain. The year-to-date interest/dividend income is \$745,376, net of transfer to the General Fund.

## Deferred Revenue

	August 31, 2014	August 31, 2013	Change
Membership Dues	\$4,155,832	\$4,049,838	\$105,994
Subscriptions	\$2,456,785	\$2,500,257	(\$43,472)
Conferences-2014 Annual and MW	\$879,723	\$834,816	\$44,907
Conferences-Division	\$1,410,714	\$1,848,011	(\$437,297)
Grants and Awards	\$2,569,616	\$2,691,538	(\$121,922)
<b>TOTAL</b>	<b>\$11,472,670</b>	<b>\$11,924,460</b>	<b>(\$451,790)</b>

Membership deferred revenue at August 31, 2014 is \$105,994 higher than August 31, 2013.

Deferred conference revenue is \$437,297 lower than August 31, 2013 due to two Division National Conferences in FY14 and one in FY15.

## 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 second annual principal payment was made on July 1, 2014 in the amount of \$647,500. Interest payments are made monthly. From July 2014 to June 2015, \$50,000 is being set aside every month from the operating fund to meet the long-term debt obligation. The next payment is due on July 1, 2015. 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:

	ORIGINAL LOAN AMOUNT	%	PRINCIPAL PAYMENTS MADE	LOAN BALANCE AUGUST 2014
NEAL SCHUMAN	\$5,811,491	57.54%	\$745,137	\$5,066,354
DC	\$2,705,000	26.78%	\$346,829	\$2,358,171
CHOICE	\$1,583,509	15.68%	\$203,034	\$1,380,475
<b>TOTAL LOAN</b>	<b>\$10,100,000</b>	<b>100.00%</b>	<b>\$1,295,000</b>	<b>\$8,805,000</b>

## Trade Accounts Receivable

Trade Accounts Receivable(Sched 4)	August 31, 2014	August 31, 2013	Change
Current	\$1,501,883	\$1,276,104	\$225,779
30 days	\$238,410	\$502,781	(\$264,371)
60 days	\$190,668	\$205,993	(\$15,325)
90 days	\$78,097	\$89,383	(\$11,286)
120 days	\$18,575	\$16,135	\$2,440
150 days	(\$69,121)	(\$17,643)	(\$51,478)
Total	\$1,958,512	\$2,072,753	(\$114,241)

## Inventory

Inventory Levels (Sched 5)	August 31, 2014	August 31, 2013	Change
ALA Editions	\$1,181,568	\$949,027	\$232,541
Neal-Schuman	\$795,318	\$785,543	\$9,775
Graphics	\$475,105	\$521,304	(\$46,199)
TOTAL	\$2,451,991	\$2,255,874	\$196,117
Inventory Reserve Levels (Sched 6)	August 31, 2014	August 31, 2013	Change
ALA Editions	\$558,354	\$289,431	\$268,923
Neal-Schuman	\$322,080	\$168,782	\$153,298
Graphics	\$136,973	\$125,142	\$11,831
TOTAL	\$1,017,407	\$583,355	\$434,052

## Intangible Assets and Goodwill (Schedule 7)

	At 08/31/13	Impairment	At 08/31/14
<b>Intangible Assets</b>	\$4,250,000	(\$380,000)	\$3,870,000
<b>Amortization</b>	(\$1,004,636)		(\$1,605,302)
<b>Net Intangible Assets</b>	\$3,245,364		\$2,264,698
<b>Goodwill (including Workforce)</b>	\$2,326,567	(\$500,000)	\$1,826,567
<b>Total Net Intangible Assets and Goodwill</b>	\$5,571,931	(\$880,000)	\$4,091,265

The analysis of an impairment of goodwill and intangible assets was performed by Plante Moran at August 31, 2013.

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 8)

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

At August 31, 2014	Ratio	Required
Debt Service coverage Ratio	4.58	1.1:1.0
Cash to Debt Ratio	4.64	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 semi-annually.

### Grants Indirect Cost Rate

The Association has filed its indirect cost negotiation agreement with the U.S. Department of the Interior National Business Center on February 28, 2014. The proposed rate for the NEH is 21% to be effective September 1, 2013 through August 31, 2015. We are in the process of finalizing the rate.

**NEUBERGER BERMAN ACCOUNTS  
AS OF AUGUST 31, XXXX**

**SCHEDULE 1**

<b>YEAR</b>	<b>MARKET VALUE</b>	<b>INTEREST INCOME</b>	<b>YIELD</b>
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%
2014	\$14,283,648	\$296,854	2.20%
		10,019,852	4.90%

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	
9/30/2013	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	2,709	10,238	(39,861)	0	(34,344)	(1,954)	(63,212)
1/31/2014	17,748	(4,764)	54,087	(17,006)	46,796	(1,131)	95,730
2/28/2014	6,102	(530)	4,019	624	10,206	0	20,421
3/31/2014	(19,088)	0	44,728	(68,523)	(24,441)	2,334	(64,990)
4/30/2014	54,679	(49,506)	13,431	(2,672)	19,234	609	35,775
5/31/2014	9,968	0	23,836	2,474	43,078	(10,755)	68,601
6/30/2014	(3,209)	(3,509)	(10,918)	73	(5,165)	0	(22,728)
7/31/2014	(11,612)	(1,135)	(19,934)	0	(21,124)	156	(53,649)
8/31/2014	6,169	0	16,286	169	71,552	(48,515)	45,661
<b>TOTAL - FY14</b>	<b>91,568</b>	<b>(58,281)</b>	<b>136,435</b>	<b>(102,427)</b>	<b>143,983</b>	<b>(62,899)</b>	<b>148,379</b>
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)
<b>TOTAL</b>	<b>232,522</b>	<b>(426,032)</b>	<b>202,904</b>	<b>(53,917)</b>	<b>296,774</b>	<b>(89,330)</b>	<b>162,921</b>



AMERICAN LIBRARY ASSOCIATION  
LONG-TERM INVESTMENT

SCHEDULE 3

	SEPT 13	OCT 13	NOV 13	DEC 13	JAN 14	FEB 14	MAR 14	APR 14	MAY 14	JUNE 14	JULY 14	AUG 14	AVERAGE
<b>LONG-TERM INVESTMENT</b>													
CASH/MONEY MARKET	1,156,504	752,423	905,422	872,119	835,935	569,742	509,218	589,224	1,401,965	829,559	836,357	1,050,591	859,088
FIXED INCOME	1,457,351	1,472,181	1,521,577	1,516,927	1,625,023	1,739,470	1,743,503	1,707,365	1,725,881	1,731,798	1,710,551	1,659,582	1,634,267
EQUITIES	13,686,153	13,745,290	13,942,692	14,349,475	13,895,600	14,650,209	14,636,687	14,499,334	14,727,840	15,457,524	15,190,333	15,836,734	14,551,489
MUTUAL FUNDS	16,683,457	17,621,951	17,766,730	17,999,337	17,591,189	18,826,407	18,858,850	18,738,571	19,013,127	19,783,329	19,431,329	19,884,134	18,516,534
ALTERNATIVE INVT	2,654,630	2,701,418	2,538,816	2,545,640	2,574,068	1,829,601	1,865,348	1,858,871	1,736,070	1,747,085	1,775,703	1,790,285	2,134,795
<b>TOTAL</b>	<b>35,638,094</b>	<b>36,293,263</b>	<b>36,675,238</b>	<b>37,283,499</b>	<b>36,521,815</b>	<b>37,615,428</b>	<b>37,613,607</b>	<b>37,393,365</b>	<b>38,604,883</b>	<b>39,549,295</b>	<b>38,944,273</b>	<b>40,221,326</b>	<b>37,696,174</b>
<b>UNREALIZED AND REALIZED GAIN/LOSS</b>													
REALIZED GAIN/LOSS	168,772	178,589	77,180	39,165	102,431	149,875	154,498	86,557	184,784	33,977	121,462	48,682	1,345,972
UNREALIZED GAIN/LOSS	988,434	881,435	239,359	24,085	(864,251)	1,162,723	(208,159)	(309,196)	409,146	617,978	(502,429)	998,131	3,437,256
<b>NET (REALIZED/UNREAL)</b>	<b>1,157,206</b>	<b>1,060,024</b>	<b>316,539</b>	<b>63,250</b>	<b>(761,820)</b>	<b>1,312,598</b>	<b>(53,661)</b>	<b>(222,639)</b>	<b>593,930</b>	<b>651,955</b>	<b>(380,967)</b>	<b>1,046,813</b>	<b>4,783,228</b>
<b>INTEREST/DIVIDEND</b>	<b>68,989</b>	<b>48,909</b>	<b>95,884</b>	<b>571,811</b>	<b>34,040</b>	<b>39,935</b>	<b>66,463</b>	<b>47,551</b>	<b>44,476</b>	<b>67,119</b>	<b>63,263</b>	<b>47,611</b>	<b>1,196,051</b>

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

**SCHEDULE 4**

<b>FISCAL YEAR 2014</b>	<b>CURRENT</b>	<b>30 DAYS</b>	<b>60 DAYS</b>	<b>90 DAYS</b>	<b>120 DAYS</b>	<b>150 DAYS</b>	<b>TOTAL</b>
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	\$898,263	\$188,672	\$51,200	\$43,672	(\$9,234)	(\$3,147)	\$1,169,426
JANUARY 2014	\$1,217,968	\$212,136	\$226,811	\$8,093	\$22,827	(\$19,305)	\$1,668,530
FEBRUARY 2014	\$1,454,657	\$325,080	\$147,050	\$78,543	(\$4,217)	(\$25,196)	\$1,975,917
MARCH 2014	\$1,383,095	\$392,845	\$235,700	\$48,178	\$29,699	(\$37,390)	\$2,052,127
APRIL 2014	\$981,984	\$456,817	\$223,392	\$78,549	\$26,365	(\$34,510)	\$1,732,597
MAY 2014	\$882,452	\$441,304	\$230,540	\$74,714	\$61,822	(\$41,661)	\$1,649,171
JUNE 2014	\$1,511,709	\$330,736	\$188,304	\$53,981	\$42,870	\$31,489	\$2,159,089
JULY 2014	\$1,256,031	\$397,243	\$162,275	\$83,738	\$4,710	\$14,966	\$1,918,963
AUGUST 2014	\$1,501,883	\$238,410	\$190,668	\$78,097	\$18,575	(\$69,121)	\$1,958,512
FY 2014 AVERAGE	\$1,205,601	\$316,620	\$177,489	\$51,580	\$23,918	(\$20,131)	\$1,755,077
%	68.69%	18.04%	10.11%	2.94%	1.36%	-1.15%	100.00%

<b>FISCAL YEAR 2013</b>	<b>CURRENT</b>	<b>30 DAYS</b>	<b>60 DAYS</b>	<b>90 DAYS</b>	<b>120 DAYS</b>	<b>150 DAYS</b>	<b>TOTAL</b>
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)	\$1,466,522
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 5**

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%
2014	475,105	-8.86%	1,181,568	24.50%	795,318	1.24%	2,451,992	8.69%

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

SCHEDULE 6

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%	186,009	-26.53%			367,209	-15.46%	24.87%
1991	133,866	-26.12%	135,898	-26.94%			269,764	-26.54%	18.86%
1992	125,082	-6.56%	117,891	-13.25%			242,973	-9.93%	17.38%
1993	137,328	9.79%	92,309	-21.70%			229,637	-5.49%	16.26%
1994	76,767	-44.10%	110,047	19.22%			186,814	-18.65%	13.69%
1995	103,033	34.22%	100,011	-9.12%			203,044	8.69%	14.36%
1996	121,319	17.75%	116,322	16.31%			237,641	17.04%	12.62%
1997	225,403	85.79%	173,195	48.89%			398,598	67.73%	23.53%
1998	109,080	-51.61%	287,228	65.84%			396,308	-0.57%	23.82%
1999	151,508	38.90%	333,862	16.24%			485,370	22.47%	34.18%
2000	130,652	-13.77%	301,402	-9.72%			432,054	-10.98%	27.60%
2001	77,539	-40.65%	217,774	-27.75%			295,313	-31.65%	20.98%
2002	50,870	-34.39%	236,096	8.41%			286,966	-2.83%	22.72%
2003	75,094	47.62%	280,851	18.96%			355,945	24.04%	27.53%
2004	75,390	0.39%	295,668	5.28%			371,058	4.25%	26.36%
2005	116,109	54.01%	268,718	-9.11%			384,827	3.71%	28.70%
2006	159,162	37.08%	295,589	10.00%			454,751	18.17%	33.33%
2007	137,698	-13.49%	276,886	-6.33%			414,584	-8.83%	29.22%
2008	109,602	-20.40%	326,062	17.76%			435,664	5.08%	35.26%
2009	201,328	83.69%	285,829	-12.34%			487,157	11.82%	33.45%
2010	158,100	-21.47%	255,851	-10.49%			413,951	-15.03%	28.75%
2011	137,652	-12.93%	264,782	3.49%			402,434	-2.78%	28.30%
2012	131,733	-4.30%	245,450	-7.30%	140,000		517,183	28.51%	24.89%
2013	125,142	-5.00%	289,431	17.92%	168,782	20.56%	583,355	12.79%	28.49%
2014	136,973	9.45%	558,354	92.91%	322,080	90.83%	1,017,407	74.41%	41.49%

Amortization schedule  
Intangible Assets and Goodwill

SCHEDULE 7

Intangible Assets	Fair Value 12/23/2011	Useful Life (Years)	FY 2012	FY 2013	IMPAIRMENT FY2013	ADJUSTED FAIR VALUE	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL
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	(275,000)	356,000	40,143	40,143	40,143	40,143	40,143	20,071				356,000
Co-Publishing Relationship	\$998,000	7	71,286	142,571		998,000	142,571	142,571	142,571	142,571	142,571	71,288				998,000
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	4,526					92,000
<b>Total Intangible Assets</b>			334,879	669,757	(380,000)	3,870,000	600,666	489,666	369,416	360,166	360,166	264,285	168,400	168,400	84,200	3,870,000
<b>Cumulative amortization</b>			334,879	1,004,636		1,004,636	1,605,302	2,094,968	2,464,384	2,824,550	3,184,716	3,449,000	3,617,400	3,785,800	3,870,000	
<b>Net Intangible Assets</b>	<b>\$4,250,000</b>		<b>3,915,121</b>	<b>3,245,364</b>		<b>2,865,364</b>	<b>2,264,698</b>	<b>1,775,032</b>	<b>1,405,616</b>	<b>1,045,450</b>	<b>685,284</b>	<b>421,000</b>	<b>252,600</b>	<b>84,200</b>	<b>(0)</b>	
<b>Goodwill</b>	<b>\$2,326,567</b>	Indefinite	<b>\$2,326,567</b>	<b>\$2,326,567</b>	<b>(\$500,000)</b>	<b>\$1,826,567</b>	<b>\$1,826,567</b>	<b>\$1,826,567</b>	<b>\$1,826,567</b>	<b>\$1,826,567</b>	<b>\$1,826,567</b>	<b>\$1,826,567</b>	<b>\$1,826,567</b>	<b>\$1,826,567</b>	<b>\$1,826,567</b>	
<b>Net Intangible Assets and Goodwill</b>	<b>\$6,576,567</b>		<b>\$6,241,688</b>	<b>\$5,571,931</b>	<b>(\$880,000)</b>	<b>\$4,691,931</b>	<b>\$4,091,265</b>	<b>\$3,601,599</b>	<b>\$3,232,183</b>	<b>\$2,872,017</b>	<b>\$2,511,851</b>	<b>\$2,247,567</b>	<b>\$2,079,167</b>	<b>\$1,910,767</b>	<b>\$1,826,567</b>	

Liquidity Ratio

SCHEDULE 8

	August 31, 2014 Unaudited	August 31, 2014 Projection	August 31, 2013 Audited
<b>DEBT SERVICE COVERAGE RATIO</b>			
CHANGE IN UNRESTRICTED NET ASSETS	\$6,772,288	\$3,700,000	\$465,514
POST RETIREMENT BENEFITS	(\$354,511)	\$300,000	\$329,244
DEPRECIATION	\$1,861,314	\$1,915,444	\$1,926,217
AMORTIZATION	\$1,345,167	\$1,330,000	\$1,385,864
INTEREST EXPENSE	\$364,585	\$360,000	\$412,768
IMPAIRMENT OF GW & INTANGIBLE ASSETS	\$0	\$0	\$880,000
REALIZED/UNREALIZED GAINS/LOSSES	(\$4,876,488)	(\$4,000,000)	(\$1,628,355)
<b>TOTAL CASH FLOW (A)</b>	<b>\$5,112,355</b>	<b>\$3,605,444</b>	<b>\$3,771,252</b>
CURRENT PORTION -LONG TERM DEBT	\$647,500	\$647,500	\$647,500
CURRENT PORTION -CAPITAL LEASE	\$103,906	\$153,913	\$142,090
INTEREST EXPENSE	\$364,585	\$360,000	\$412,768
<b>TOTAL CURRENT LONG TERM DEBT (B)</b>	<b>\$1,115,991</b>	<b>\$1,161,413</b>	<b>\$1,202,358</b>
<b>DEBT SERVICE COVERAGE (A/B)</b>	<b>4.58</b>	<b>3.10</b>	<b>3.14</b>
DEBT BENCHMARK	1.1 TO 1.0	1.1 TO 1.0	1.1 TO 1.0
<b>CASH TO DEBT RATIO</b>			
	August 31, 2014 Unaudited	August 31, 2014 Projection	August 31, 2013 Audited
CASH AND EQUIVALENT	\$2,194,380	\$3,000,000	\$3,215,197
SHORT-TERM INVESTMENT	\$14,315,549	\$14,000,000	\$12,397,093
LONG-TERM INVESTMENT	\$40,821,682	\$38,500,000	\$34,381,883
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$57,331,611</b>	<b>\$55,500,000</b>	<b>\$49,994,173</b>
TEMPORARILY RESTRICTED NET ASSETS	\$5,700,729	\$4,700,000	\$3,761,735
PERMANENTLY RESTRICTED NET ASSETS	\$514,700	\$514,700	\$514,700
DEFERRED REVENUE	\$8,903,053	\$9,300,000	\$9,232,922
<b>NET ASSETS AND DEFERRED REVENUE</b>	<b>\$15,118,482</b>	<b>\$14,514,700</b>	<b>\$13,509,357</b>
<b>UNRESTRICTED CASH AND INVESTMENT(A)</b>	<b>\$42,213,129</b>	<b>\$40,985,300</b>	<b>\$36,484,816</b>
CURRENT PORTION OF LONG-TERM DEBT	\$647,500	\$647,500	\$647,500
NON-CURR PORTION OF LONG-TERM DEBT	\$8,157,500	\$8,157,500	\$8,805,000
CURRENT PORTION OF CAPITAL LEASE	\$103,906	\$153,913	\$142,090
NON-CURR PORTION OF CAPITAL LEASE	\$179,710	\$129,702	\$283,615
<b>TOTAL INDEBTEDNESS(B)</b>	<b>\$9,088,616</b>	<b>\$9,088,615</b>	<b>\$9,878,205</b>
<b>CASH TO DEBT RATIO (A/B)</b>	<b>4.64</b>	<b>4.51</b>	<b>3.69</b>
CASH TO DEBT BENCHMARK	1.1 TO 1.0	1.1 TO 1.0	1.1 TO 1.0

Yearly Amortization

Annual Rate

3.50%

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	31	0.086	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
09/01/2012	30	0.083	\$10,100,000.00	\$0.00	\$29,458.33	\$29,458.33	\$10,100,000.00
10/01/2012	31	0.086	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
11/01/2012	30	0.083	\$10,100,000.00	\$0.00	\$29,458.33	\$29,458.33	\$10,100,000.00
12/01/2012	31	0.086	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
01/01/2013	31	0.086	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
02/01/2013	28	0.078	\$10,100,000.00	\$0.00	\$27,494.44	\$27,494.44	\$10,100,000.00
03/01/2013	31	0.086	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
04/01/2013	30	0.083	\$10,100,000.00	\$0.00	\$29,458.33	\$29,458.33	\$10,100,000.00
05/01/2013	31	0.086	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
06/01/2013	30	0.083	\$10,100,000.00	\$0.00	\$29,458.33	\$29,458.33	\$10,100,000.00
07/01/2013	31	0.086	\$10,100,000.00	\$647,500.00	\$30,440.28	\$677,940.28	\$9,452,500.00
08/01/2013	31	0.086	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
09/01/2013	30	0.083	\$9,452,500.00	\$0.00	\$27,569.79	\$27,569.79	\$9,452,500.00
10/01/2013	31	0.086	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
11/01/2013	30	0.083	\$9,452,500.00	\$0.00	\$27,569.79	\$27,569.79	\$9,452,500.00
12/01/2013	31	0.086	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
01/01/2014	31	0.086	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
02/01/2014	28	0.078	\$9,452,500.00	\$0.00	\$25,731.81	\$25,731.81	\$9,452,500.00
03/01/2014	31	0.086	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
04/01/2014	30	0.083	\$9,452,500.00	\$0.00	\$27,569.79	\$27,569.79	\$9,452,500.00
05/01/2014	31	0.086	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
06/01/2014	30	0.083	\$9,452,500.00	\$0.00	\$27,569.79	\$27,569.79	\$9,452,500.00
07/01/2014	31	0.086	\$9,452,500.00	\$647,500.00	\$28,488.78	\$675,988.78	\$8,805,000.00
08/01/2014	31	0.086	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
09/01/2014	30	0.083	\$8,805,000.00	\$0.00	\$25,681.25	\$25,681.25	\$8,805,000.00
10/01/2014	31	0.086	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
11/01/2014	30	0.083	\$8,805,000.00	\$0.00	\$25,681.25	\$25,681.25	\$8,805,000.00
12/01/2014	31	0.086	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
01/01/2015	31	0.086	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
02/01/2015	28	0.078	\$8,805,000.00	\$0.00	\$23,969.17	\$23,969.17	\$8,805,000.00
03/01/2015	31	0.086	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
04/01/2015	30	0.083	\$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	0.083	\$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	\$1,147,500.00	\$17,668.92	\$1,165,168.92	\$4,715,000.00
08/01/2018	31	0.086	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00
09/01/2018	30	0.083	\$4,715,000.00	\$0.00	\$13,752.08	\$13,752.08	\$4,715,000.00
10/01/2018	31	0.086	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00
11/01/2018	30	0.083	\$4,715,000.00	\$0.00	\$13,752.08	\$13,752.08	\$4,715,000.00
12/01/2018	31	0.086	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$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	\$12,835.28	\$12,835.28	\$4,715,000.00
03/01/2019	31	0.086	\$4,715,000.00	\$0.00	\$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				