

ALA American Library Association

EBD #4.2

2016-2017

TO: ALA Executive Board

DATE: October 20, 2016

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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2016 Annual Audit

The ALA's auditor Mueller & Co will be conducting the fifth year audit for the ALA fiscal year ending August 31, 2016.

The Association's FY16 preliminary audit was completed in July 2016, and the field work is scheduled to commence on October 31st through November 18th, 2016.

Total ALA Statement of Financial Position

TOTAL ALA

| | August 2016 | August 2015 | Change | Change % |
|--------------------------|--------------|--------------|---------------|----------|
| Total Assets | \$75,710,358 | \$77,648,867 | (\$1,938,509) | -2.5% |
| Total Liabilities | \$43,869,990 | \$46,033,717 | (\$2,163,727) | -4.7% |
| Net Assets | \$31,840,368 | \$31,615,150 | \$225,218 | 0.7% |

ASSETS

| | August 2016 | % to Total Assets | August 2015 | % to Total Assets | Change FY16 - FY15 |
|-----------------------------|-------------------|----------------------|-------------------|----------------------|-----------------------|
| Cash | 446,398 | 0.59% | 1,120,194 | 1.44% | (673,795) |
| Short-Term Investment | 14,154,503 | 18.69% | 14,486,928 | 18.66% | (332,425) |
| Accounts Receivable, Net | 3,666,076 | 4.84% | 4,000,937 | 5.15% | (334,861) |
| Grants Receivable | 545,684 | 0.72% | 1,217,254 | 1.57% | (671,570) |
| APA Receivable | 105,000 | 0.14% | 155,000 | 0.20% | (50,000) |
| Inventories, Net | 1,782,817 | 2.35% | 1,584,741 | 2.04% | 198,076 |
| Prepaid Expenses | 511,991 | 0.68% | 1,090,488 | 1.40% | (578,497) |
| Total Current Assets | 21,212,469 | 28.02% | 23,655,542 | 30.46% | (2,443,072) |
| Fixed Assets, Net | 11,177,034 | 14.76% | 11,714,255 | 15.09% | (537,221) |
| Goodwill | 1,826,567 | 2.41% | 1,826,567 | 2.35% | 1 |
| Intangible Assets, Net | 1,405,617 | 1.86% | 1,775,032 | 2.29% | (369,415) |
| Long-Term Investment | 40,090,043 | 52.95% | 38,678,845 | 49.81% | 1,411,198 |
| Due To/From | (1,373) | 0.00% | (1,373) | 0.00% | 0 |
| TOTAL ASSETS | 75,710,358 | 100.00% | 77,648,867 | 100.00% | (1,938,509) |

LIABILITIES

| | August 2016 | % to Total Liabilities | August 2015 | % to Total Liabilities | Change FY16 - FY15 |
|--|-------------------|---------------------------|-------------------|---------------------------|-----------------------|
| Current Portion, L-T Debt | 1,329,604 | 3.03% | 2,215,066 | 4.81% | (885,462) |
| Accounts Payable | 4,181,057 | 9.53% | 5,208,199 | 11.31% | (1,027,142) |
| Accrued Payroll | 310,986 | 0.71% | 114,352 | 0.25% | 196,634 |
| Deferred Membership | 3,890,351 | 8.87% | 4,024,106 | 8.74% | (133,755) |
| Deferred Subscriptions | 2,211,631 | 5.04% | 2,341,252 | 5.09% | (129,621) |
| Deferred Conferences | 2,625,132 | 5.98% | 2,516,557 | 5.47% | 108,575 |
| Grants and Awards | 4,748,005 | 10.82% | 3,888,964 | 8.45% | 859,041 |
| Total Current Liabilities | 19,296,765 | 43.99% | 20,308,496 | 0 | (1,011,731) |
| Post Retirement Benefits | 21,373,226 | 48.72% | 21,195,617 | 46.04% | 177,609 |
| Long-Term Debts | 3,200,000 | 7.29% | 4,529,604 | 9.84% | (1,329,604) |
| TOTAL LIABILITIES | 43,869,991 | 100.00% | 46,033,717 | 100.00% | (2,163,726) |
| | | 57.94% | | 59.28% | |
| NET ASSET BALANCE | 31,840,367 | 42.06% | 31,615,150 | 40.72% | 225,217 |
| TOTAL LIABILITIES/NET ASSET BALANCE | 75,710,358 | 100.00% | 77,648,867 | 100.00% | (1,938,509) |

Total liabilities are \$2,163,726 lower than August 2015 primarily due to decrease in long-term debt, current portion of long-term debt and accounts payable, offset by higher deferred grant revenue.

Total ALA Net Asset Balance is \$31,840,367 which is \$225,217, more than August 2015.

Current Ratio

| | August 2016 | August 2015 |
|-------------------------|--------------------|--------------------|
| Current Assets | \$21,212,469 | \$23,655,542 |
| Current Liabilities | \$19,296,765 | \$20,308,496 |
| Working Capital: | \$1,915,704 | \$3,347,046 |
| Current Ratio: | 1.10 | 1.16 |

**Total ALA Statement of Revenues and Expenses
August 31, 2016**

| REVENUES BY FUND | Year-To-Date Actual August 2016 | % to Total Revenue Actual | Year-To-Date Budget August 2016 | % to Total Revenue Budget | Year-To-Date Variance August 2016 |
|-----------------------------|--|--|--|--|--|
| General Fund | 27,269,504 | 53.80% | 29,535,774 | 57.68% | (2,266,270) |
| Division | 15,777,909 | 31.13% | 15,655,196 | 30.57% | 122,713 |
| Round Table | 433,985 | 0.86% | 389,887 | 0.76% | 44,098 |
| Grants and Awards | 6,269,571 | 12.37% | 4,861,263 | 9.49% | 1,408,308 |
| Long-Term Investment | 936,052 | 1.85% | 764,772 | 1.49% | 171,280 |
| Total | 50,687,020 | 100.00% | 51,206,892 | 100.00% | (519,872) |

| EXPENSES BY FUND | Year-To-Date Actual August 2016 | % to Total Expenses Actual | Year-To-Date Budget August 2016 | % to Total Expenses Budget | Year-To-Date Variance August 2016 |
|-----------------------------|--|---|--|---|--|
| General Fund (1) | 28,014,559 | 55.06% | 29,166,918 | 56.64% | 1,152,359 |
| Division | 15,651,999 | 30.76% | 16,497,506 | 32.04% | 845,507 |
| Round Table | 299,000 | 0.59% | 342,630 | 0.67% | 43,630 |
| Plant Fund | 0 | 0.00% | 0 | 0.00% | 0 |
| Grants and Awards | 6,269,571 | 12.32% | 4,861,263 | 9.44% | (1,408,308) |
| Long-Term Investment | 648,856 | 1.28% | 624,320 | 1.21% | (24,536) |
| Total | 50,883,984 | 100.00% | 51,492,637 | 100.00% | 608,653 |

| NET OPERATING REV(EXP) BY FUND | Year-To-Date Actual August 2016 | % to Net Rev(Exp) Actual | Year-To-Date Budget August 2016 | % to Net Rev(Exp) Budget | Year-To-Date Variance August 2016 |
|---------------------------------------|--|---|--|---|--|
| General Fund | (745,055) | -131.55% | 368,856 | 56.30% | (1,113,911) |
| Division | 125,910 | 22.23% | (842,310) | -128.57% | 968,220 |
| Round Table | 134,985 | 23.83% | 47,257 | 7.21% | 87,728 |
| Plant Fund | 0 | 0.00% | 0 | 0.00% | 0 |
| Grants and Awards | 0 | 0.00% | 0 | 0.00% | 0 |
| Long-Term Investment | 287,196 | 50.71% | 140,452 | 21.44% | 146,744 |
| Total | (196,964) | -34.78% | (285,745) | -43.61% | 88,781 |

(1) Neal Schuman amortization expense of \$369,416 is excluded.

Total ALA revenue is \$519,872 less than FY16 budget.

Total General Fund revenue is \$2,266,270 less than budget due to lower publication related revenue (\$1,194K) and conference revenue (\$975K).

Total ALA expenses are \$608,653 less than FY16 budget.

General Fund expenses are \$1,152,359 less than budget due to lower publication related expenses, lower professional fees, higher overhead recovered from grants, offset by higher health insurance cost(\$235K).

Division expenses are \$845,507 less than budget due to lower payroll related expenses, lower conference related expenses, lower publication related expenses, offset by higher professional fees.

Grant expenses are \$1,408,308 more than budget due to unbudgeted grant activities.

Net operating expense at August 2016 is \$196,964 which is \$88,781 better than budget.

General Fund Statement of Revenues and Expenses August 31, 2016

| REVENUES | Year-To-Date Actual August 2016 | % to Total Revenue Actual | Year-To-Date Budget August 2016 | % to Total Revenue Budget | Year-To-Date Variance August 2016 |
|-----------------------------|---------------------------------------|---------------------------------|---------------------------------------|---------------------------------|---|
| Publishing Services | 11,705,162 | 42.92% | 12,899,351 | 43.67% | (1,194,189) |
| Member Programs & Services | 8,606,250 | 31.56% | 9,673,800 | 32.75% | (1,067,550) |
| Advocacy & Member Relations | 5,601,948 | 20.54% | 5,652,400 | 19.14% | (50,452) |
| Interest Income | 1,168,658 | 4.29% | 1,140,508 | 3.86% | 28,150 |
| Mail List Sales | 84,942 | 0.31% | 86,715 | 0.29% | (1,773) |
| Executive Office | 102,546 | 0.38% | 83,000 | 0.28% | 19,546 |
| Total Revenues | 27,269,504 | 100.00% | 29,535,774 | 100.00% | (2,266,270) |

| EXPENSES | Year-To-Date Actual August 2016 | % to Total Expenses Actual | Year-To-Date Budget August 2016 | % to Total Expenses Budget | Year-To-Date Variance August 2016 |
|----------------------------------|---------------------------------------|----------------------------------|---------------------------------------|----------------------------------|---|
| Publishing Services (1) | 10,823,745 | 38.64% | 11,467,204 | 39.32% | 643,459 |
| Member Program and Services | 12,851,212 | 45.87% | 13,478,923 | 46.21% | 627,711 |
| Advocacy & Member Relations | 3,049,560 | 10.89% | 3,220,797 | 11.04% | 171,237 |
| Executive Office | 4,687,905 | 16.73% | 4,710,466 | 16.15% | 22,561 |
| Finance/Accounting/Staff Support | 1,794,259 | 6.40% | 1,872,362 | 6.42% | 78,103 |
| Overhead Recovered | (6,360,015) | -22.70% | (6,701,843) | -22.98% | (341,828) |
| General Administration | 1,167,782 | 4.17% | 1,119,009 | 3.84% | (48,773) |
| Total Expenses | 28,014,448 | 100.00% | 29,166,918 | 100.00% | 1,152,470 |

| | | | | | |
|---|------------------|--|----------------|--|--------------------|
| Operating Net Revenue (Expenses) | (744,944) | | 368,856 | | (1,113,800) |
|---|------------------|--|----------------|--|--------------------|

(1) Neal Schuman amortization expense of \$369,416 is excluded.

Cash Management

| | August 2016 | August 2015 | Change | Change % |
|---------------------------------------|--------------|--------------|---------------|----------|
| Total Cash | \$446,398 | \$1,188,837 | (\$742,439) | -62.5% |
| Working Capital (schedule 1) | \$13,925,911 | \$14,298,607 | (\$372,696) | -2.6% |
| Total Cash and Working Capital | \$14,372,309 | \$15,487,444 | (\$1,115,135) | -7.2% |

The Association had a draw on September 19th, 2016 from the working capital for \$1,500,000 to meet operating cash needs.

Working Capital Activities

| | August 2016 | |
|---|--------------|--------------|
| Interest income since December 1991 | \$10,673,298 | (schedule 1) |
| Net realized/unrealized gain(loss) since December 1991 | \$197,319 | (schedule 2) |
| Year-to-date net realized/unrealized gain(loss) - FY16 only | \$163,801 | (schedule 2) |

Line of Credit

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

The Association had a draw on August 5th, 2016 for \$1,000,000 to meet operating cash needs.

Endowment

| (Schedule 3) | August 2016 | August 2015 | Change | Change % |
|---|--------------|---------------|-------------|----------|
| Investment Balance | \$40,090,043 | \$38,678,845 | \$1,411,198 | 3.6% |
| YTD Realized/Unrealized Gain/Loss | \$937,196 | (\$1,912,935) | \$2,850,131 | -149.0% |
| YTD Interest/Dividend, net of transfer | \$703,734 | \$693,211 | \$10,523 | 1.5% |

The year-to-date Long-Term Investment realized and unrealized gain of \$937,196 is comprised of \$24,017 of realized loss and \$961,213 of unrealized gain. The year-to-date interest/dividend income earned is 1,514,455 before the transfer to the General Fund.

Trade Accounts Receivable

| Trade Accounts Receivable(Sched 4) | August 2016 | % to Total A/R | August 2015 | % to Total A/R | Change |
|------------------------------------|-------------|----------------|-------------|----------------|-------------|
| Current | \$745,209 | 33.49% | \$854,259 | 41.34% | (\$109,050) |
| 30 days | \$352,406 | 15.83% | \$471,557 | 22.82% | (\$119,151) |
| 60 days | \$213,405 | 9.59% | \$423,912 | 20.52% | (\$210,507) |
| 90 days | \$172,019 | 7.73% | \$133,035 | 6.44% | \$38,984 |
| 120 days | \$58,882 | 2.65% | \$97,516 | 4.72% | (\$38,634) |
| 150 days | \$683,569 | 30.72% | \$86,038 | 4.16% | \$597,531 |
| Total | \$2,225,490 | 100.00% | \$2,066,317 | 100.00% | \$159,173 |

Inventory

| Inventory Levels (Sched 5) | August 2016 | % to Total Inventory | August 2016 | % to Total Inventory | Change FY16 - FY15 |
|----------------------------|-------------|----------------------|-------------|----------------------|--------------------|
| ALA Editions | \$721,980 | 45.89% | \$695,855 | 46.78% | \$26,125 |
| Neal-Schuman | \$494,538 | 31.43% | \$419,126 | 28.18% | \$75,412 |
| Graphics | \$356,830 | 22.68% | \$372,544 | 25.04% | (\$15,714) |
| TOTAL | \$1,573,348 | 100.00% | \$1,487,525 | 100.00% | \$85,823 |

| Inventory Reserve Levels (Sched 6) | August 2016 | % to Total Reserve | August 2015 | % to Total Reserve | Change FY16 - FY15 |
|------------------------------------|-------------|--------------------|-------------|--------------------|--------------------|
| ALA Editions | \$80,626 | 40.14% | \$61,310 | 39.49% | \$19,316 |
| Neal-Schuman | \$69,326 | 34.51% | \$54,320 | 34.98% | \$15,006 |
| Graphics | \$50,930 | 25.35% | \$39,641 | 25.53% | \$11,289 |
| TOTAL | \$200,882 | 100.00% | \$155,271 | 100.00% | \$45,611 |

Intangible Assets and Goodwill

| | August 2016 | August 2015 | Change |
|---|--------------------|--------------------|--------------------|
| Intangible Assets | \$3,870,000 | \$3,870,000 | \$0 |
| Amortization | (\$2,464,384) | (\$2,094,968) | (\$369,416) |
| Net Intangible Assets | \$1,405,616 | \$1,775,032 | (\$369,416) |
| Goodwill (including Workforce) | \$1,826,567 | \$1,826,567 | \$0 |
| Total Net Intangible Assets and Goodwill | \$3,232,183 | \$3,601,599 | (\$369,416) |

Deferred Revenue

| | August 2016 | August 2015 | Change |
|--------------------------|---------------------|---------------------|--------------------|
| Membership Dues | \$3,890,351 | \$4,024,106 | (\$133,755) |
| Subscriptions | \$2,211,631 | \$2,341,226 | (\$129,595) |
| Conferences | \$2,625,132 | \$2,520,507 | \$104,625 |
| Grants and Awards | \$4,748,005 | \$3,393,648 | \$1,354,357 |
| TOTAL | \$13,475,119 | \$12,279,487 | \$1,195,632 |

General Fund deferred membership revenue decreased by \$99,195, Divisions decreased by \$31,918 and Round Table decreased by \$2,641.

Deferred subscription revenue decreased by \$129,595 due to decrease in RDA and Booklist.

Deferred conference revenue decreased by \$104,625.

Grant deferred revenue is \$1,354,357 more than August 2015 due to new grants such as FINRA and Dollar General. Friends of AASL received grant in Dec 2015 for \$600K.

Liquidity Ratio (Schedule 8 & 9)

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

| August 2016 | Ratio | Required |
|-----------------------------|-------|----------|
| Debt Service coverage Ratio | 1.18 | 1.1:1.0 |
| Cash to Debt Ratio | 7.88 | 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 semi-annually.

Long-Term Debt (Schedule 10)

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.

In April 2015, The Association submitted a request to the Executive Board for approval to refinance ALA's existing loan, which was approved. On August 3, 2015, the modification of ALA's loan with JPMorgan Chase has closed.

The new principal and interest payment schedule is attached. The first payment in the amount of \$1,500,000 was made on August 3rd, 2016.

The next payment is due on August 3, 2017 in the amount of \$1,300,000.

The original \$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 2016 |
|-------------------|-------------------------|----------------|----------------------------|-----------------------------|
| NEAL SCHUMAN | \$5,811,491 | 57.54% | \$3,222,213 | \$2,589,278 |
| DC | \$2,705,000 | 26.78% | \$1,499,802 | \$1,205,198 |
| CHOICE | \$1,583,509 | 15.68% | \$877,985 | \$705,524 |
| TOTAL LOAN | \$10,100,000 | 100.00% | \$5,600,000 | \$4,500,000 |

| | PRINCIPAL | DUE DATE | INTEREST | TOTAL PAYMENT |
|--------------------------------|--------------------|-------------|------------------|--------------------|
| PAYMENT SCHEDULE (FY17 - FY20) | \$1,300,000 | AUGUST 2017 | \$133,517 | \$1,433,517 |
| | \$1,200,000 | AUGUST 2018 | \$94,233 | \$1,294,233 |
| | \$1,100,000 | AUGUST 2019 | \$57,992 | \$1,157,992 |
| | \$900,000 | AUGUST 2020 | \$25,125 | \$925,125 |
| | \$4,500,000 | | \$310,867 | \$4,810,867 |

Grant Indirect Cost Rate

The Association has submitted the following information to the U.S. Department of the Interior National Business Center to negotiate the indirect cost rate to be effective September 1, 2016 through August 31, 2018.

Payroll information

Audited Financial Statements

Membership information

Various indirect cost rate worksheets required by National Business office

**ALA WORKING CAPITAL
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% |
| 2014 | \$14,283,648 | \$296,854 | 2.20% |
| 2015 | \$14,298,607 | \$287,581 | 2.60% |
| 2016 | \$13,925,911 | \$365,865 | 2.64% |
| | | 10,673,298 | 4.72% |

AMERICAN LIBRARY ASSOCIATION
WORKING CAPITAL
STATEMENT OF UNREALIZED/REALIZED GAINS AND LOSSES
FOR THE TWELVE MONTHS ENDING AUGUST 31, 2016

SCHEDULE 2

| MONTH | LA/MLPA | | NBF | | PPG | | NET |
|---------------------|----------------|------------------|----------------|-----------------|----------------|-----------------|----------------|
| | UNREALIZED | REALIZED | UNREALIZED | REALIZED | UNREALIZED | REALIZED | |
| SEPTEMBER 2015 | 503 | 0 | 20,256 | 0 | 13,920 | (967) | 33,712 |
| OCTOBER 2015 | (5,486) | 0 | (9,926) | 487 | (1,092) | 0 | (16,017) |
| NOVEMBER 2015 | (17,222) | 0 | (14,142) | (513) | (18,075) | 0 | (49,952) |
| DECEMBER 2015 | (47,063) | 0 | (18,629) | (4,768) | (30,138) | 0 | (100,598) |
| JANUARY 2016 | 23,418 | 0 | 38,764 | (4,001) | 28,608 | 0 | 86,789 |
| FEBRUARY 2016 | (4,896) | 0 | 17,172 | 0 | 6,584 | 1,384 | 20,244 |
| MARCH 2016 | 29,989 | 0 | 25,151 | (8,319) | 35,789 | (4,853) | 77,757 |
| APRIL 2016 | 14,740 | 0 | (1,281) | 0 | 6,107 | 998 | 20,564 |
| MAY 2016 | (3,633) | 0 | (13,942) | (2,309) | (16,799) | 0 | (36,683) |
| JUNE 2016 | 42,505 | 0 | 53,956 | (5,783) | 45,869 | 0 | 136,547 |
| JULY 2016 | 20,004 | 0 | 2,453 | 0 | (9,445) | 17,747 | 30,759 |
| AUGUST 2016 | (3,567) | 0 | (21,275) | 245 | (14,724) | 0 | (39,321) |
| TOTAL - FY16 | 49,292 | 0 | 78,557 | (24,961) | 46,604 | 14,309 | 163,801 |
| 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) |
| FY 2014 | 91,568 | (58,281) | 136,435 | (102,427) | 143,983 | (62,899) | 148,379 |
| FY 2015 | 93,918 | (126,628) | (41,080) | 6,798 | (54,025) | (8,386) | (129,403) |
| TOTAL | 375,732 | (552,660) | 240,381 | (72,080) | 289,353 | (83,407) | 197,319 |

**AMERICAN LIBRARY ASSOCIATION
LONG-TERM INVESTMENT**

SCHEDULE 3

| | SEPT 15 | OCT 15 | NOV 15 | DEC 15 | JAN 16 | FEB 16 | MAR 16 | APR 16 | MAY 16 | JUNE 16 | JULY 16 | AUG 16 | AVERAGE |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| LONG-TERM INVESTMENT | | | | | | | | | | | | | |
| CASH/MONEY MARKET | 680,989 | 611,562 | 482,872 | 718,310 | 1,156,488 | 695,505 | 850,615 | 887,610 | 1,936,501 | 966,750 | 888,439 | 944,306 | 901,662 |
| FIXED INCOME | 2,046,524 | 2,092,212 | 2,099,760 | 1,984,942 | 2,084,564 | 2,071,356 | 2,006,030 | 2,084,623 | 2,157,377 | 2,276,661 | 2,301,380 | 2,310,080 | 2,126,292 |
| EQUITIES | 7,982,797 | 8,598,687 | 8,540,675 | 8,306,577 | 7,981,442 | 7,898,807 | 8,271,378 | 8,211,725 | 8,773,841 | 8,597,136 | 9,065,034 | 9,073,132 | 8,441,769 |
| MUTUAL FUNDS | 25,852,798 | 27,225,856 | 27,173,273 | 26,518,280 | 24,679,909 | 24,374,000 | 25,933,679 | 26,203,272 | 24,866,016 | 24,719,160 | 25,443,855 | 25,367,068 | 25,696,431 |
| ALTERNATIVE INVT | 1,184,777 | 1,184,777 | 1,226,920 | 1,181,494 | 1,311,494 | 1,389,486 | 1,365,743 | 1,362,520 | 1,288,741 | 2,280,274 | 2,353,298 | 2,395,457 | 1,543,748 |
| TOTAL | 37,747,885 | 39,713,095 | 39,523,499 | 38,709,603 | 37,213,897 | 36,429,154 | 38,427,444 | 38,749,749 | 39,022,476 | 38,839,982 | 40,052,006 | 40,090,043 | 38,709,903 |
| UNREALIZED AND REALIZED GAIN/LOSS | | | | | | | | | | | | | |
| REALIZED GAIN/LOSS | (72,559) | 14,855 | 46,567 | 19,005 | (50,411) | (757,628) | (10,880) | 1,470,937 | (509,058) | (176,308) | 1,410 | 53 | (24,017) |
| UNREALIZED GAIN/LOSS | (923,268) | 1,912,253 | (361,685) | (1,519,809) | (1,454,343) | 584,645 | 1,911,980 | (1,178,301) | 742,351 | 162,681 | 1,171,921 | (87,211) | 961,213 |
| NET (REALIZED/UNREAL) | (995,827) | 1,927,108 | (315,118) | (1,500,804) | (1,504,754) | (172,983) | 1,901,100 | 292,636 | 233,293 | (13,627) | 1,173,331 | (87,158) | 937,196 |
| INTEREST/DIVIDEND | 103,254 | 56,793 | 146,280 | 705,952 | 31,131 | 41,935 | 108,752 | 57,417 | 53,766 | 97,200 | 58,254 | 53,721 | 1,514,455 |

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

SCHEDULE 4

| FISCAL YEAR 2016 | CURRENT | 30 DAYS | 60 DAYS | 90 DAYS | 120 DAYS | 150 DAYS | TOTAL |
|---------------------------|----------------|----------------|----------------|----------------|-----------------|-----------------|--------------|
| SEPTEMBER 2015 | \$1,276,899 | \$491,752 | \$422,564 | \$236,160 | \$88,017 | \$130,222 | \$2,645,614 |
| OCTOBER 2015 | \$711,996 | \$603,734 | \$416,761 | \$293,042 | \$209,611 | \$113,887 | \$2,349,031 |
| NOVEMBER 2015 | \$677,629 | \$475,666 | \$428,531 | \$321,890 | \$219,067 | \$255,202 | \$2,377,985 |
| DECEMBER 2015 | \$712,246 | \$384,642 | \$267,743 | \$310,892 | \$267,683 | \$385,162 | \$2,328,368 |
| JANUARY 2016 | \$973,426 | \$483,983 | \$306,543 | \$147,021 | \$123,281 | \$338,610 | \$2,372,864 |
| FEBRUARY 2016 | \$872,011 | \$595,954 | \$317,543 | \$200,343 | \$104,365 | \$427,601 | \$2,517,817 |
| MARCH 2016 | \$699,879 | \$515,460 | \$277,576 | \$214,977 | \$140,575 | \$436,213 | \$2,284,680 |
| APRIL 2016 | \$753,143 | \$289,794 | \$353,187 | \$183,518 | \$178,945 | \$522,120 | \$2,280,707 |
| MAY 2016 | \$520,903 | \$484,056 | \$167,332 | \$227,659 | \$151,469 | \$639,859 | \$2,191,278 |
| JUNE 2016 | \$828,800 | \$524,981 | \$158,256 | \$114,285 | \$127,730 | \$657,452 | \$2,411,504 |
| JULY 2016 | \$584,418 | \$560,844 | \$281,331 | \$78,470 | \$68,783 | \$768,104 | \$2,341,950 |
| AUGUST 2016 | \$745,209 | \$352,406 | \$213,402 | \$172,019 | \$58,882 | \$683,569 | \$2,225,487 |
| % to Aug 16 balance | 33.49% | 15.84% | 9.59% | 7.73% | 2.65% | 30.72% | 100.00% |
| FY 2016 AVERAGE | \$779,713 | \$480,273 | \$300,897 | \$208,356 | \$144,867 | \$446,500 | \$2,360,607 |
| % to FY16 average balance | 33.03% | 20.35% | 12.75% | 8.83% | 6.14% | 18.91% | 100.00% |

| FISCAL YEAR 2015 | CURRENT | 30 DAYS | 60 DAYS | 90 DAYS | 120 DAYS | 150 DAYS | TOTAL |
|-------------------------|----------------|----------------|----------------|----------------|-----------------|-----------------|--------------|
| SEPTEMBER 2014 | \$1,307,634 | \$415,554 | \$304,981 | \$43,382 | \$11,536 | (\$50,115) | \$2,032,972 |
| OCTOBER 2014 | \$1,107,685 | \$204,514 | \$91,991 | \$8,958 | \$6,113 | (\$54,830) | \$1,364,431 |
| NOVEMBER 2014 | \$1,463,554 | \$168,797 | \$71,711 | \$21,725 | \$7,482 | (\$43,976) | \$1,689,293 |
| DECEMBER 2014 | \$1,317,097 | \$411,932 | \$117,137 | \$25,277 | \$7,798 | (\$38,004) | \$1,841,237 |
| JANUARY 2015 | \$1,296,330 | \$208,280 | \$113,324 | \$22,385 | \$10,941 | (\$61,705) | \$1,589,555 |
| FEBRUARY 2015 | \$1,419,226 | \$372,742 | \$37,626 | \$26,225 | \$15,139 | (\$15,431) | \$1,855,527 |
| MARCH 2015 | \$1,301,941 | \$275,019 | \$97,608 | (\$43,906) | (\$6,905) | (\$16,508) | \$1,607,249 |
| APRIL 2015 | \$1,128,784 | \$378,818 | \$57,735 | \$58,006 | (\$50,590) | (\$28,955) | \$1,543,798 |
| MAY 2015 | \$1,040,678 | \$320,611 | \$165,883 | \$29,908 | \$27,314 | (\$78,491) | \$1,505,903 |
| JUNE 2015 | \$888,556 | \$399,672 | \$329,387 | \$175,284 | \$104,182 | \$136,402 | \$2,033,483 |
| JULY 2015 | \$1,019,474 | \$555,614 | \$275,782 | \$222,721 | \$114,474 | \$241,921 | \$2,429,986 |
| AUGUST 2015 | \$854,259 | \$471,557 | \$423,912 | \$133,035 | \$97,516 | \$86,038 | \$2,066,317 |
| | | | | | | | |
| FY 2015 AVERAGE | \$1,178,768 | \$348,593 | \$173,923 | \$60,250 | \$28,750 | \$6,362 | \$1,796,646 |
| % | 65.61% | 19.40% | 9.68% | 3.35% | 1.60% | 0.35% | 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% |
| 2015 | 372,544 | -21.59% | 695,855 | -41.11% | 419,126 | -47.30% | 1,487,525 | -39.33% |
| 2016 | 356,830 | -4.22% | 721,980 | 3.75% | 494,538 | 17.99% | 1,573,347 | 5.77% |

**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% |
| 2015 | 39,641 | -71.06% | 61,310 | -89.02% | 54,320 | -83.13% | 155,271 | -84.74% | 10.44% |
| 2016 | 50,930 | 28.48% | 80,626 | 31.51% | 69,326 | 27.63% | 200,883 | 29.38% | 13.95% |

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 | 9,052 | 4,526 | | | | 92,000 |
| Annual Amortization | | | 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 |
| Cumulative amortization | | | 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 | |
| Net Intangible Assets | \$4,250,000 | | 3,915,121 | 3,245,364 | | 2,865,364 | 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 | (\$500,000) | \$1,826,567 | \$1,826,567 | \$1,826,567 | \$1,826,567 | \$1,826,567 | \$1,826,567 | \$1,826,567 | \$1,826,567 | \$1,826,567 | \$1,826,567 | |
| Net Intangible Assets and Goodwill | \$6,576,567 | | \$6,241,688 | \$5,571,931 | (\$880,000) | \$4,691,931 | \$4,091,265 | \$3,601,599 | \$3,232,183 | \$2,872,017 | \$2,511,851 | \$2,247,567 | \$2,079,167 | \$1,910,767 | \$1,826,567 | |

Liquidity Ratio

SCHEDULE 8

| | August 31, 2016 Unaudited | August 31, 2015 Audited | August 31, 2014 Audited |
|--|------------------------------|----------------------------|----------------------------|
| DEBT SERVICE COVERAGE RATIO | | | |
| CHANGE IN UNRESTRICTED NET ASSETS | (\$61,632) | (\$2,091,402) | \$7,250,558 |
| POST RETIREMENT BENEFITS | \$0 | \$0 | (\$354,511) |
| DEPRECIATION | \$1,780,946 | \$1,804,493 | \$1,861,314 |
| AMORTIZATION | \$1,005,152 | \$1,280,285 | \$1,345,167 |
| INTEREST EXPENSE | \$195,491 | \$303,225 | \$364,585 |
| IMPAIRMENT OF GW & INTANGIBLE ASSETS | \$0 | \$0 | \$0 |
| REALIZED/UNREALIZED GAINS/LOSSES | (\$1,119,456) | \$1,935,260 | (\$4,923,794) |
| TOTAL CASH FLOW (A) | \$1,800,501 | \$3,231,861 | \$5,543,319 |
| CURRENT PORTION -LONG TERM DEBT | \$1,300,000 | \$1,500,000 | \$647,500 |
| CURRENT PORTION -CAPITAL LEASE | \$29,604 | \$94,400 | \$159,611 |
| INTEREST EXPENSE | \$195,491 | \$303,225 | \$364,585 |
| TOTAL CURRENT LONG TERM DEBT (B) | \$1,525,095 | \$1,897,625 | \$1,171,696 |
| DEBT SERVICE COVERAGE (A/B) | 1.18 | 1.70 | 4.73 |
| DEBT BENCHMARK | 1.1 TO 1.0 | 1.1 TO 1.0 | 1.1 TO 1.0 |
| CASH TO DEBT RATIO | | | |
| | August 31, 2016 Unaudited | August 31, 2015 Audited | August 31, 2014 Audited |
| CASH AND EQUIVALENT | \$446,398 | \$1,120,194 | \$2,174,154 |
| SHORT-TERM INVESTMENT | \$14,154,503 | \$14,486,928 | \$14,422,212 |
| LONG-TERM INVESTMENT | \$40,090,043 | \$38,678,845 | \$40,221,326 |
| TOTAL CASH AND INVESTMENTS | \$54,690,944 | \$54,285,967 | \$56,817,692 |
| TEMPORARILY RESTRICTED NET ASSETS | \$5,014,923 | \$5,418,895 | \$4,477,929 |
| PERMANENTLY RESTRICTED NET ASSETS | \$514,700 | \$514,700 | \$514,700 |
| DEFERRED REVENUE | \$13,475,118 | \$12,771,480 | \$11,551,918 |
| NET ASSETS AND DEFERRED REVENUE | \$19,004,741 | \$18,705,075 | \$16,544,547 |
| UNRESTRICTED CASH AND INVESTMENT(A) | \$35,686,203 | \$35,580,892 | \$40,273,145 |
| CURRENT PORTION OF LONG-TERM DEBT | \$1,300,000 | \$1,500,000 | \$647,500 |
| NON-CURR PORTION OF LONG-TERM DEBT | \$3,200,000 | \$4,500,000 | \$8,157,500 |
| CURRENT PORTION OF CAPITAL LEASE | \$29,604 | \$94,400 | \$159,611 |
| NON-CURR PORTION OF CAPITAL LEASE | \$0 | \$29,604 | \$124,005 |
| TOTAL INDEBTEDNESS(B) | \$4,529,604 | \$6,124,004 | \$9,088,616 |
| CASH TO DEBT RATIO (A/B) | 7.88 | 5.81 | 4.43 |
| CASH TO DEBT BENCHMARK | 1.1 TO 1.0 | 1.1 TO 1.0 | 1.1 TO 1.0 |

HISTORY

| | August 31, 2014 Audited | August 31, 2013 Audited | 31-Aug-12 Audited |
|--|----------------------------|----------------------------|----------------------|
| DEBT SERVICE COVERAGE RATIO | | | |
| CHANGE IN UNRESTRICTED NET ASSETS | \$7,250,558 | \$465,514 | \$589,555 |
| POST RETIREMENT BENEFITS | (\$354,511) | \$329,244 | \$341,853 |
| DEPRECIATION | \$1,861,314 | \$1,926,217 | \$1,643,990 |
| AMORTIZATION | \$1,345,167 | \$1,385,864 | \$1,286,146 |
| INTEREST EXPENSE | \$364,585 | \$412,768 | \$235,523 |
| LETTER OF CREDIT FEE | \$0 | \$880,000 | \$17,711 |
| REALIZED/UNREALIZED GAINS/LOSSES | (\$4,923,794) | (\$1,628,355) | (\$1,062,154) |
| TOTAL CASH FLOW (A) | \$5,543,319 | \$3,771,252 | \$3,052,624 |
| CURRENT PORTION -LONG TERM DEBT | \$647,500 | \$647,500 | \$647,500 |
| CURRENT PORTION -CAPITAL LEASE | \$159,611 | \$142,090 | \$223,816 |
| INTEREST EXPENSE | \$364,585 | \$412,768 | \$235,523 |
| LETTER OF CREDIT FEE | | | \$17,711 |
| TOTAL CURRENT LONG TERM DEBT (B) | \$1,171,696 | \$1,202,358 | \$1,124,550 |
| | | | |
| | 4.73 | 3.14 | 2.71 |
| | 1.1 TO 1.0 | 1.1 TO 1.0 | 1.1 TO 1.0 |
| | | | |
| CASH TO DEBT RATIO | | | |
| | August 31, 2014 Audited | August 31, 2013 Audited | 31-Aug-12 Audited |
| CASH AND EQUIVALENT | \$2,174,154 | \$3,215,197 | \$2,672,539 |
| SHORT-TERM INVESTMENT | \$14,422,212 | \$12,397,093 | \$13,828,329 |
| LONG-TERM INVESTMENT | \$40,221,326 | \$34,381,883 | \$32,560,816 |
| TOTAL CASH AND INVESTMENTS | \$56,817,692 | \$49,994,173 | \$49,061,684 |
| TEMPORARILY RESTRICTED NET ASSETS | \$4,477,929 | \$3,761,735 | \$5,048,836 |
| PERMANENTLY RESTRICTED NET ASSETS | \$514,700 | \$514,700 | \$514,700 |
| DEFERRED REVENUE | \$11,551,918 | \$9,232,922 | \$9,077,417 |
| NET ASSETS AND DEFERRED REVENUE | \$16,544,547 | \$13,509,357 | \$14,640,953 |
| | | | |
| UNRESTRICTED CASH AND INVESTMENT(A) | \$40,273,145 | \$36,484,816 | \$34,420,731 |
| CURRENT PORTION OF LONG-TERM DEBT | \$647,500 | \$647,500 | \$647,500 |
| NON-CURR PORTION OF LONG-TERM DEBT | \$8,157,500 | \$8,805,000 | \$9,452,500 |
| CURRENT PORTION OF CAPITAL LEASE | \$159,611 | \$142,090 | \$223,816 |
| NON-CURR PORTION OF CAPITAL LEASE | \$124,005 | \$283,615 | \$485,209 |
| TOTAL INDEBTEDNESS(B) | \$9,088,616 | \$9,878,205 | \$10,809,025 |
| | | | |
| CASH TO DEBT RATIO (A/B) | 4.43 | 3.69 | 3.18 |
| CASH TO DEBT BENCHMARK | 1.1 TO 1.0 | 1.1 TO 1.0 | 1.1 TO 1.0 |

SCHEDULE 9

| | 8/31/2011 | 8/31/2010 | 5/31/2009 | 8/31/2008 |
|---|---------------------|---------------------|----------------------|---------------------|
| UNRESTRICTED NET ASSETS | \$555,957 | \$2,724,200 | (\$6,781,339) | \$412,544 |
| DEPRECIATION | \$1,518,470 | \$1,722,867 | \$1,033,659 | \$1,106,798 |
| AMORTIZATION | \$442,362 | \$244,132 | \$16,350 | \$137,606 |
| INTEREST EXPENSE | \$150,693 | \$154,369 | \$46,630 | \$87,146 |
| LETTER OF CREDIT FEE | \$29,033 | \$635,040 | \$19,555 | \$27,518 |
| NET POST RETIREMENT | \$1,330,694 | \$419,035 | \$0 | \$0 |
| UNREALIZED GAINS(LOSSES) ON SECURITIES | (\$1,960,406) | \$635,040 | \$1,355,561 | \$1,875,959 |
| TOTAL CASH FLOW (A) | \$2,066,803 | \$6,534,683 | (\$4,309,584) | \$3,647,571 |
| CURRENT PORTION -LONG TERM DEBT | \$215,945 | \$124,925 | \$305,369 | \$155,000 |
| CURRENT CAPITALIZED LEASE | \$9,272 | \$85,000 | \$28,368 | \$80,779 |
| INTEREST EXPENSE | \$150,693 | \$154,369 | \$46,630 | \$87,146 |
| LETTER OF CREDIT FEE | \$29,033 | \$29,813 | \$19,555 | \$27,516 |
| TOTAL CURRENT LONG TERM DEBT (B) | \$404,943 | \$394,107 | \$399,922 | \$350,441 |
| | | | | |
| | 5.10 | 16.58 | (10.78) | 10.41 |
| | 1.0 to 1.5 | 1.0 to 1.5 | 1.0 to 1.5 | 1.0 to 1.5 |
| | | | | |
| | 8/31/2011 | 8/31/2010 | 5/31/2009 | 8/31/2008 |
| UNENCUMBERED/UNRESTRICTED SECURITIES | \$46,474,833 | \$44,472,341 | \$39,796,575 | \$43,595,869 |
| CASH AND EQUIVALENT | \$2,920,635 | \$1,916,803 | \$1,520,559 | \$6,275,883 |
| TOTAL LIQUID ASSETS | \$49,395,468 | \$46,389,144 | \$41,317,134 | \$49,871,752 |
| | | | | |
| TOTAL LIABILITIES | \$39,080,797 | \$37,027,629 | \$39,139,134 | \$33,508,284 |
| | | | | |
| LIQUID ASSET RATIO | 1.26 | 1.25 | 1.06 | 1.49 |
| LIQUID ASSET BENCHMARK | .60 TO 1.0 | .60 TO 1.0 | .60 TO 1.0 | .60 TO 1.0 |

**American Library Association
Amortization Schedule**

SCHEDULE 10

| MONTH | LOAN BALANCE | PRINCIPAL PAYMENT | INTEREST PAYMENT | TOTAL PAYMENT | TOTAL PER FISCAL YEAR | FISCAL YEAR |
|-----------|--------------|-------------------|------------------|---------------|-----------------------|-------------|
| 7/1/2015 | 6,000,000.00 | 0.00 | 17,500.00 | 17,500.00 | | |
| 8/1/2015 | 6,000,000.00 | 0.00 | 18,083.33 | 18,083.33 | | |
| 9/1/2015 | 6,000,000.00 | 0.00 | 15,666.67 | 15,666.67 | 51,250.00 | 2015 |
| 10/1/2015 | 6,000,000.00 | 0.00 | 15,000.00 | 15,000.00 | | |
| 11/1/2015 | 6,000,000.00 | 0.00 | 15,500.00 | 15,500.00 | | |
| 12/1/2015 | 6,000,000.00 | 0.00 | 15,000.00 | 15,000.00 | | |
| 1/1/2016 | 6,000,000.00 | 0.00 | 15,500.00 | 15,500.00 | | |
| 2/1/2016 | 6,000,000.00 | 0.00 | 15,500.00 | 15,500.00 | | |
| 3/1/2016 | 6,000,000.00 | 0.00 | 14,500.00 | 14,500.00 | | |
| 4/1/2016 | 6,000,000.00 | 0.00 | 15,500.00 | 15,500.00 | | |
| 5/1/2016 | 6,000,000.00 | 0.00 | 15,000.00 | 15,000.00 | | |
| 6/1/2016 | 6,000,000.00 | 0.00 | 15,500.00 | 15,500.00 | | |
| 7/1/2016 | 6,000,000.00 | 0.00 | 15,000.00 | 15,000.00 | | |
| 8/1/2016 | 6,000,000.00 | 1,500,000.00 | 15,500.00 | 1,515,500.00 | | |
| 9/1/2016 | 4,500,000.00 | 0.00 | 11,625.00 | 11,625.00 | 179,125.00 | 2016 |
| 10/1/2016 | 4,500,000.00 | 0.00 | 11,250.00 | 11,250.00 | | |
| 11/1/2016 | 4,500,000.00 | 0.00 | 11,625.00 | 11,625.00 | | |
| 12/1/2016 | 4,500,000.00 | 0.00 | 11,250.00 | 11,250.00 | | |
| 1/1/2017 | 4,500,000.00 | 0.00 | 11,625.00 | 11,625.00 | | |
| 2/1/2017 | 4,500,000.00 | 0.00 | 11,625.00 | 11,625.00 | | |
| 3/1/2017 | 4,500,000.00 | 0.00 | 10,500.00 | 10,500.00 | | |
| 4/1/2017 | 4,500,000.00 | 0.00 | 11,625.00 | 11,625.00 | | |
| 5/1/2017 | 4,500,000.00 | 0.00 | 11,250.00 | 11,250.00 | | |
| 6/1/2017 | 4,500,000.00 | 0.00 | 11,625.00 | 11,625.00 | | |
| 7/1/2017 | 4,500,000.00 | 0.00 | 11,250.00 | 11,250.00 | | |
| 8/1/2017 | 4,500,000.00 | 1,300,000.00 | 11,625.00 | 1,311,625.00 | | |
| 9/1/2017 | 3,200,000.00 | 0.00 | 8,266.67 | 8,266.67 | 133,516.67 | 2017 |

**American Library Association
Amortization Schedule**

SCHEDULE 10

| MONTH | LOAN BALANCE | PRINCIPAL PAYMENT | INTEREST PAYMENT | TOTAL PAYMENT | TOTAL PER FISCAL YEAR | FISCAL YEAR |
|---------------|--------------|-------------------|------------------|---------------|-----------------------|-------------|
| 10/1/2017 | 3,200,000.00 | 0.00 | 8,000.00 | 8,000.00 | | |
| 11/1/2017 | 3,200,000.00 | 0.00 | 8,266.67 | 8,266.67 | | |
| 12/1/2017 | 3,200,000.00 | 0.00 | 8,000.00 | 8,000.00 | | |
| 1/1/2018 | 3,200,000.00 | 0.00 | 8,266.67 | 8,266.67 | | |
| 2/1/2018 | 3,200,000.00 | 0.00 | 8,266.67 | 8,266.67 | | |
| 3/1/2018 | 3,200,000.00 | 0.00 | 7,466.67 | 7,466.67 | | |
| 4/1/2018 | 3,200,000.00 | 0.00 | 8,266.67 | 8,266.67 | | |
| 5/1/2018 | 3,200,000.00 | 0.00 | 8,000.00 | 8,000.00 | | |
| 6/1/2018 | 3,200,000.00 | 0.00 | 8,266.67 | 8,266.67 | | |
| 7/1/2018 | 3,200,000.00 | 0.00 | 8,000.00 | 8,000.00 | | |
| 8/1/2018 | 3,200,000.00 | 1,200,000.00 | 8,266.67 | 1,208,266.67 | | |
| 9/1/2018 | 2,000,000.00 | 0.00 | 5,166.67 | 5,166.67 | 94,233.33 | 2018 |
| 10/1/2018 | 2,000,000.00 | 0.00 | 5,000.00 | 5,000.00 | | |
| 11/1/2018 | 2,000,000.00 | 0.00 | 5,166.67 | 5,166.67 | | |
| 12/1/2018 | 2,000,000.00 | 0.00 | 5,000.00 | 5,000.00 | | |
| 1/1/2019 | 2,000,000.00 | 0.00 | 5,166.67 | 5,166.67 | | |
| 2/1/2019 | 2,000,000.00 | 0.00 | 5,166.67 | 5,166.67 | | |
| 3/1/2019 | 2,000,000.00 | 0.00 | 4,666.67 | 4,666.67 | | |
| 4/1/2019 | 2,000,000.00 | 0.00 | 5,166.67 | 5,166.67 | | |
| 5/1/2019 | 2,000,000.00 | 0.00 | 5,000.00 | 5,000.00 | | |
| 6/1/2019 | 2,000,000.00 | 0.00 | 5,166.67 | 5,166.67 | | |
| 7/1/2019 | 2,000,000.00 | 0.00 | 5,000.00 | 5,000.00 | | |
| 8/1/2019 | 2,000,000.00 | 1,100,000.00 | 5,166.67 | 1,105,166.67 | | |
| 9/1/2019 | 900,000.00 | 0.00 | 2,325.00 | 2,325.00 | 57,991.67 | 2019 |
| 10/1/2019 | 900,000.00 | 0.00 | 2,250.00 | 2,250.00 | | |
| 11/1/2019 | 900,000.00 | 0.00 | 2,325.00 | 2,325.00 | | |
| 12/1/2019 | 900,000.00 | 0.00 | 2,250.00 | 2,250.00 | | |
| 1/1/2020 | 900,000.00 | 0.00 | 2,325.00 | 2,325.00 | | |
| 2/1/2020 | 900,000.00 | 0.00 | 2,325.00 | 2,325.00 | | |
| 3/1/2020 | 900,000.00 | 0.00 | 2,175.00 | 2,175.00 | | |
| 4/1/2020 | 900,000.00 | 0.00 | 2,325.00 | 2,325.00 | | |
| 5/1/2020 | 900,000.00 | 0.00 | 2,250.00 | 2,250.00 | | |
| 6/1/2020 | 900,000.00 | 0.00 | 2,325.00 | 2,325.00 | | |
| 7/1/2020 | 900,000.00 | 0.00 | 2,250.00 | 2,250.00 | | |
| 8/1/2020 | 900,000.00 | 900,000.00 | 2,325.00 | 902,325.00 | 25,125.00 | 2020 |
| Total: | | 6,000,000.00 | 541,241.67 | | 541,241.67 | |