

To: ALA Executive Board

From: Joanne Lee

Date: January 28, 2012

Subject: Controller's Report

**Presented for information**

Annual Audit - FY 2012  
Total ALA Financial Position  
Cash Management  
Deferred Revenue  
Long-Term Debt (Chase)  
Trade Accounts Receivable  
Inventory  
Intangible Assets and goodwill  
Liquidity Ratio  
Grant Overhead Rate  
Tax Returns (990 and 990T)

## Annual Audit - FY 2012

The Association has retained Mueller & Co., LLP to perform the Association's FY 2012 annual audit for the first year. The audit commenced on November 12, 2012, and the last day of field work was December 12, 2012. The Association has received an unqualified opinion.

### Total ALA Financial Position

	Nov 30, 2012	Nov 30, 2011	Change
<b>Total Assets</b>	74,392,117	68,690,218	5,701,899
<b>Total Liabilities</b>	45,335,083	39,812,335	5,522,748
<b>Net Assets</b>	29,057,034	28,877,883	179,151

The increase in total assets is due to the higher value of the Long-Term investments and purchase of intangible assets and goodwill. The increase in long-term debt is due to the acquisition of Neal Schuman Publishers.

	Nov 30, 2011	Nov 30, 2012	YTD Budget	Variance
<b>Total Revenue</b>	8,958,399	8,912,150	10,520,054	(1,607,904)
<b>Total Expenses</b>	10,390,695	10,461,871	12,285,276	1,823,405
<b>Net Revenue</b>	(1,432,296)	(1,549,721)	(1,765,222)	215,501

The variance in the General Fund revenue is due to lower books, Digital Reference and graphics revenue. Division revenue is lower than budgeted and Grants and Awards revenue is less than budgeted due to timing of several Grants.

### Cash Management

	Nov 30, 2012	Nov 30, 2011	Change
<b>Total Cash</b>	\$2,427,734	\$3,829,202	(\$1,401,468)
<b>S-T Investment (schedule 1)</b>	\$13,592,310	\$15,237,722	(\$1,645,412)
<b>Total Cash and S-T investment</b>	\$16,020,044	\$19,066,924	(\$3,046,880)

The decrease in cash and investment balance is due to the reduction in cash used in the acquisition of Neal Schuman publishing company in December, 2011 and significant investment in technology.

The cash balance is lower due to lower books, Digital Reference and Graphics sales and division conference revenue.

As noted in schedule 1, the Neuberger Berman investment has produced over \$9,488,053 in interest income since December, 1991. With regard to risk of principal, at November 30, 2012, the account has a realized/unrealized gain(loss) of (\$ 6,528). At November 30, 2012, the cumulative since December, 1991, net realized /unrealized gain(loss) is \$ 423,769.(Schedule 2).

The Association maintains a \$2,500,000 line of credit with JP Morgan Chase. The Association had a draw on October 12, 2012 for \$1,000,000 to meet operating cash needs. The line was repaid in full on November 9, 2012.

## Deferred Revenue

	Nov 30, 2012	Nov 30, 2011	Change
<b>Membership Dues</b>	4,024,542	4,031,683	(7,141)
<b>Subscriptions</b>	2,435,468	2,684,083	(248,615)
<b>Conferences</b>	4,922,319	5,368,652	(446,333)
<b>TOTAL</b>	<b>11,382,329</b>	<b>12,084,418</b>	<b>(702,089)</b>

The decrease in subscription is mainly due to a drop in CHOICE subscription revenue.

The decrease in deferred revenue is due to two division conferences in FY 12, and one division conference in FY11.

## Long-Term Debts

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 is due on July 1,2013 in the amount of \$647,500. Interest payments are made monthly. From January, 2013 to June, 2013 , \$100,000 is being set aside every month from the operating fund to meet the cash needs. From August, 2013, to July, 2014, \$50,000 a month will be set aside.

The \$10,100,000.00 has been allocated as follows:

	LOAN AMOUNT	%	Principal Payment	Interest payment Monthly
NEAL SCHUMAN	\$5,811,491.00	57.54%	\$372,568	\$17,515
DC	\$2,705,000.00	26.78%	\$173,415	\$8,152
CHOICE	\$1,583,509.00	15.68%	\$101,517	\$4,772
<b>TOTAL LOAN</b>	<b>\$10,100,000.00</b>	<b>100.00%</b>	<b>\$647,500.00</b>	<b>\$30,440.00</b>

## Trade Accounts Receivable (Credit and Collections)

Trade Accounts Receivable(Sched 7)	Nov 30, 2012	Nov 30, 2011	Change
Current	\$1,026,297	\$1,014,906	\$11,391
30 days	\$308,362	\$271,857	\$36,505
60 days	\$242,693	\$126,763	\$115,930
90 days	\$44,011	\$20,722	\$23,289
120 days	(\$3,312)	(\$12,645)	\$9,333
150 days	(\$101,191)	(\$38,654)	(\$62,537)
<b>Total</b>	<b>\$1,516,860</b>	<b>\$1,382,949</b>	<b>\$133,911</b>

## Inventory

<b>Inventory Levels (Sched 3)</b>	<b>Nov 30, 2012</b>	<b>Nov 30, 2011</b>	<b>Change</b>
ALA Editions	\$861,015	\$844,331	\$16,684
Neal Schuman	\$647,433	\$0	\$647,433
Graphics	\$539,418	\$569,751	(\$30,333)
<b>TOTAL</b>	<b>\$2,047,866</b>	<b>\$1,414,082</b>	<b>\$633,784</b>

<b>Excess &amp; Obsolete Inventory (sched 4)</b>	<b>Nov 30, 2012</b>	<b>Nov 30, 2011</b>	<b>Change</b>
ALA Editions	\$245,450	\$265,584	(\$20,134)
Neal Schuman	\$140,000	\$0	\$140,000
Graphics	\$131,730	\$162,743	(\$31,013)
<b>TOTAL</b>	<b>\$517,180</b>	<b>\$428,327</b>	<b>\$88,853</b>

<b>Inventory Destruction (Sched 5)</b>	<b>Nov 30, 2012</b>	<b>Nov 30, 2011</b>	<b>Change</b>
ALA Editions	\$0	\$0	\$0
Neal Schuman	\$0	\$0	\$0
Graphics	\$3	\$0	\$3
<b>TOTAL</b>	<b>\$3</b>	<b>\$0</b>	<b>\$3</b>

<b>Inventory Reserve Additions (Sched 6)</b>	<b>Nov 30, 2012</b>	<b>Nov 30, 2011</b>	<b>Change</b>
ALA Editions	\$0	\$0	\$0
Neal Schuman	\$0	\$0	\$0
Graphics	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Intangible Assets and Goodwill (schedule 8)

<b>Intangible Assets</b>	4,250,000
<b>Amortization</b>	(502,318)
<b>Net</b>	3,747,682
<b>Goodwill (incl Workforce)</b>	2,326,567
<b>Total Intangible Assets and Goodwill</b>	6,074,249

The analysis of an impairment of goodwill is performed annually, and there was no impairment as of August 31, 2012.

## Liquidity Ratio (Schedule 9)

In conjunction with Chase long-term debt arrangements, the Association is required to maintain certain financial ratios. The JP Morgan Chase debt service coverage ratio measured -.53:1.0, where the required ratio is 1.1:1.0. The unrestricted cash and investments to funded debt ratio measured 3.03 to 1.0 where the required ratio is 1.1 to 1.0.

In the event the Cash to Debt Ratio is greater than 1.1 to 1.0 but less than 1.50 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 is required evidencing a Cash to Debt Ratio of at least 1.50 to 1.0.

## Grant Overhead Rate

The Association received its indirect cost negotiation agreement from the U.S. Department of the Interior National Business Center on July 23, 2012. The rate was negotiated for the NEH. The rate of 18.57% will be effective for the period Sept 1, 2010 through August 31, 2013.

## Tax Returns (990 and 990T)

The filing for the Form 990 has been extended to April 15, 2013, and The Form 990T has an extended due date of July 15, 2013.

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%	
30-Nov-12	\$13,592,310	\$87,111	2.52%	
		9,488,053	5.01%	<b>AVG</b>

HISTORY OF DEPOSITS TO THE NEUBERGER BERMAN

DATE	AMOUNT	# OF MONTHS
12/15/1991	\$1,500,000	252
02/15/1992	\$500,000	250
02/15/1993	\$1,000,000	238
05/15/1993	\$1,000,000	235
06/15/1993	\$500,000	234
06/15/1995	\$750,000	210
03/21/2001	\$400,000	139
03/29/2001	\$400,000	139
04/20/2001	\$555,400	138
08/18/2008	\$2,000,000	49
05/29/2009	(\$900,000)	40
09/22/2009	(\$500,000)	36
08/09/2011	(\$1,000,000)	13
12/23/2011	(\$7,500,000)	8
07/06/2012	\$5,500,000	2
	\$4,205,400	

AMERICAN LIBRARY ASSOCIATION  
 NEUBERGER BERMAN BOND FUND  
 STATEMENT OF UNREALIZED/REALIZED GAINS AND LOSSES  
 FOR THE TWELVE MONTHS ENDING AUGUST 31, 2013

SCHEDULE 2

MONTH	NEUBERGER #1		NEUBERGER #2		M/L - PPG		NET		
	UNREALIZED	REALIZED	UNREALIZED	REALIZED	UNREALIZED	REALIZED			
09/30/2012	(3497.00)	0.00	53761.00	(53873.00)	949.00	0.00	(2,660)		
10/31/2012	(2104.00)	(11507.00)	25328.00	113.00	(11778.00)	4736.00	4,788		
11/30/2012	(1697.00)	670.00	(4870.00)	4538.00	(12349.00)	5052.00	(8,656)		
12/31/2012							0		
01/31/2013							0		
02/28/2013							0		
03/31/2013							0		
04/30/2013							0		
05/31/2013							0		
06/30/2013							0		
07/31/2013							0		
08/31/2013							0		
<b>TOTAL</b>	<b>(7,298)</b>	<b>(10,837)</b>	<b>0</b>	<b>74,219</b>	<b>(49,222)</b>	<b>0</b>	<b>(23,178)</b>	<b>9,788</b>	<b>(6,528)</b>
FY 1993 CARRYFORWARD	58,654	12,277	0	0	0	0		70,931	
FY 1994 CARRYFORWARD	(156,399)	(69,198)	0	0	0	0		(225,597)	
FY 1995 CARRYFORWARD	93,596	(22,622)	4,226	(105)	0	0		75,095	
FY 1996 CARRYFORWARD	(66,905)	(1,983)	(22,489)	3,738	0	0		(87,639)	
FY 1997 CARRYFORWARD	26,857	24,234	22,728	(6,023)	0	0		67,796	
FY 1998 CARRYFORWARD	66,645	2,908	29,601	6,348	0	0		105,502	
FY 1999 CARRYFORWARD	(92,624)	(34,831)	(60,828)	7,844	(56,811)	(17,950)		(255,200)	
FY 2000 CARRYFORWARD	56,095	(48,716)	36,945	(30,200)	31,671	(34,284)		11,511	
FY 2001 CARRYFORWARD	125,591	39,538	51,791	22,697	34,830	24,279		298,726	
FY 2002 CARRYFORWARD	(39,265)	17,957	73,991	14,918	(3,901)	14,517		78,217	
FY 2003 CARRYFORWARD	(76,357)	2,002	(112,917)	87,065	(53,834)	34,883		(119,158)	
FY 2004 CARRYFORWARD	(47,062)	(44,618)	(10,436)	(22,627)	(15,989)	2,356		(138,376)	
FY 2005 CARRYFORWARD	12,975	(94,536)	(58,538)	(31,551)	(18,621)	(26,748)		(217,019)	
FY 2006 CARRYFORWARD	43,418	(70,473)	18,414	(61,209)	(30,270)	(32,026)		(132,146)	
FY 2007 CARRYFORWARD	34,262	(1,670)	36,894	(14,040)	38,930	(2,681)		91,695	
FY 2008 CARRYFORWARD	(22,135)	30,685	(27,305)	41,559	36,856	29,713		89,373	
FY 2009 CARRYFORWARD	74,398	2,372	191,239	(89,612)	203,298	355		382,050	
FY 2010 CARRYFORWARD	50,457	(1,242)	146,792	(2,911)	92,065	29,923		315,084	
FY 2011 CARRYFORWARD	(28,259)	5,161	(56,709)	65,376	(13,306)	24,704		(3,033)	
FY 2012 CARRYFORWARD	37,222	(58,869)	(56,519)	85,789	(27,010)	41,872		22,485	
<b>TOTAL</b>	<b>\$143,866</b>	<b>(\$322,461)</b>	<b>\$281,099</b>	<b>\$27,834</b>	<b>\$194,730</b>	<b>\$98,701</b>		<b>\$423,769</b>	

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

**SCHEDULE 3**

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%
11/30/2012	539,418	-0.33%	861,015	-0.49%	647,433	-3.58%	2,047,866	-1.45%

**AMERICAN LIBRARY ASSOCIATION  
HISTORICAL E&O RESERVE LEVELS  
AS OF AUGUST 31, XXXX**

**SCHEDULE 4**

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%
11/30/2012	131,730	-0.0023%		245,450	0.00%	140,000	0.00%	517,180	0.00%		25.25%

AMERICAN LIBRARY ASSOCIATION  
HISTORICAL INVENTORY DESTRUCTION  
AS OF AUGUST 31, XXXX

SCHEDULE 5

YEAR	GRAPHICS	ALA EDITIONS	NEAL SHUMAN	TOTAL
1989	0	139,729		139,729
1990	0	67,163		67,163
1991	116,334	68,283		184,617
1992	64,677	88,007		152,684
1993	24,324	61,613		85,937
1994	149,748	17,501		167,249
1995	59,954	46,884		106,838
1996	29,484	28,449		57,933
1997	7,306	37,396		44,702
1998	218,188	39,048		257,236
1999	73,439	35,221		108,660
2000	63,290	94,208		157,498
2001	97,112	139,990		237,102
2002	67,969	35,841		103,810
2003	26,276	2,693		28,969
2004	4	0		4
2005	21,981	64,403		86,384
2006	1,147	841		1,988
2007	46,930	42,714		89,644
2008	13,264	30,315		43,579
2009	15,821	10,039		25,860
2010	65,803	0		65,803
2011	38,073	0		38,073
2012	5,919	0	0	5,919
11/30/2012	3	0	0	3
<b>TOTAL</b>	<b>1,207,046</b>	<b>1,050,338</b>	<b>0</b>	<b>2,257,384</b>

**AMERICAN LIBRARY ASSOCIATION  
HISTORICAL INVENTORY RESERVE ADDITIONS**

**SCHEDULE 6**

<b>YEAR</b>	<b>GRAPHICS</b>	<b>ALA EDITIONS</b>	<b>NEAL SHUMAN</b>	<b>TOTAL</b>
1989	56,248	55,000		111,248
1990	0	0		0
1991	69,000	18,172		87,172
1992	55,893	70,000		125,893
1993	36,570	36,031		72,601
1994	89,187	35,239		124,426
1995	86,220	36,848		123,068
1996	47,770	44,760		92,530
1997	111,390	94,269		205,659
1998	101,865	153,081		254,946
1999	115,866	81,855		197,721
2000	42,490	61,748		104,238
2001	43,999	56,362		100,361
2002	41,300	54,163		95,463
2003	50,500	47,448		97,948
2004	300	14,817		15,117
2005	62,700	37,453		100,153
2006	44,200	27,712		71,912
2007	25,466	24,011		49,477
2008	(14,832)	79,491		64,659
2009	107,547	(30,194)		77,353
2010	22,575	(29,978)		(7,403)
2011	17,625	8,931		26,556
2012	0	(19,332)	140,000	120,668
11/30/2012	0	0	0	0
<b>TOTAL</b>	<b>1,213,879</b>	<b>957,887</b>	<b>140,000</b>	<b>2,311,766</b>

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

**SCHEDULE 7**

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							\$0
JANUARY 2013							\$0
FEBRUARY 2013							\$0
MARCH 2013							\$0
APRIL 2013							\$0
MAY 2013							\$0
JUNE 2013							\$0
JULY 2013							\$0
AUGUST 2013							\$0
TOTAL - FY 2013	\$4,285,188	\$1,065,123	391,403	135,635	12,859	(337,528)	5,552,680
FY 2013 AVERAGE	\$1,428,396	\$355,041	\$130,468	\$45,212	\$4,286	(\$112,509)	\$1,850,893
%	77.17%	19.18%	7.05%	2.44%	0.23%	-6.08%	100.00%

FISCAL YEAR 2012	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	150 DAYS	TOTAL
SEPTEMBER 2011	\$1,436,651	\$223,333	\$11,630	\$46,852	\$5,147	(\$54,173)	\$1,669,440
OCTOBER 2011	\$1,053,634	\$414,962	\$127,966	(\$7,132)	\$22,688	(\$49,480)	\$1,562,638
NOVEMBER 2011	\$1,014,906	\$271,857	\$126,763	\$20,722	(\$12,645)	(\$38,654)	\$1,382,949
DECEMBER 2011	\$1,060,207	\$307,772	\$62,142	\$32,221	\$14,569	(\$51,932)	\$1,424,979
JANUARY 2012	\$1,263,558	\$161,512	\$76,040	\$13,946	\$19,991	(\$41,781)	\$1,493,266
FEBRUARY 2012	\$1,398,572	\$139,669	\$26,383	\$19,728	(\$1,425)	(\$51,776)	\$1,531,151
MARCH 2012	\$1,130,859	\$533,789	\$58,478	\$11,290	\$1,998	(\$27,743)	\$1,708,671
APRIL 2012	\$1,121,724	\$208,313	\$96,164	\$29,552	\$4,332	(\$22,456)	\$1,437,629
MAY 2012	\$1,498,511	\$228,531	(\$22,835)	\$20,069	\$14,435	(\$16,493)	\$1,722,218
JUNE 2012	\$1,488,266	\$226,048	\$98,847	(\$30,083)	(\$70,274)	\$685	\$1,713,489
JULY 2012	\$1,215,748	\$383,600	\$108,057	(\$43,271)	(\$79,776)	(\$23,975)	\$1,560,383
AUGUST 2012	\$1,378,318	\$366,869	\$178,884	\$46,697	(\$48,911)	(\$79,789)	\$1,842,068
TOTAL - FY 2012	\$15,060,954	\$3,466,255	948,519	160,591	(129,871)	(457,567)	\$19,048,881
FY 2012 AVERAGE	\$1,255,080	\$288,855	\$79,043	\$13,383	(\$10,823)	(\$38,131)	\$1,587,407
%	79.06%	18.20%	4.98%	0.84%	-0.68%	-2.40%	100.00%

**SCHEDULE 8**

**Amortization schedule  
Intangible Assets and Goodwill**

	Fair Value 12/31/2011	Useful Life (Years)	FY 2012	At Nov 30, 12	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL
<b>Intangible Assets</b>															
Non-Competa Agreement	\$74,000	4	9,250	4,625	13,875	18,500	18,500	9,250							74,000
Trademarks & Brands Extension	\$1,684,000	10	84,200	42,100	126,300	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	43,000	129,000	172,000	86,000								516,000
Distribution Relationship	\$631,000	7	45,071	22,536	67,607	90,143	90,143	90,143	90,143	90,143	45,071				631,001
Co-Publishing Relationship	\$998,000	7	71,286	35,643	106,928	142,571	142,571	142,571	142,571	142,571	71,286				997,999
Online & Catalog	\$150,000	3	25,000	12,500	37,500	50,000	25,000								150,000
Customer Relationship	\$197,000	7	14,071	7,036	21,107	28,143	28,143	28,143	28,143	28,143	14,071				197,000
<b>Total Intangible Assets</b>	<b>\$4,250,000</b>		<b>334,879</b>	<b>167,439</b>	<b>502,317</b>	<b>669,757</b>	<b>558,757</b>	<b>438,607</b>	<b>429,257</b>	<b>429,257</b>	<b>298,829</b>	<b>168,400</b>	<b>168,400</b>	<b>84,200</b>	<b>4,250,000</b>
Cumulative amortization			334,879	502,318	1,004,636	1,674,383	2,233,150	2,671,657	3,100,914	3,530,171	3,829,000	3,987,400	4,165,800	4,250,000	
<b>Net Intangible Assets</b>			<b>3,915,121</b>	<b>3,747,682</b>	<b>3,245,364</b>	<b>2,575,607</b>	<b>2,016,850</b>	<b>1,578,343</b>	<b>1,149,066</b>	<b>719,829</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>\$2,326,567</b>	<b>\$2,326,567</b>	<b>\$2,326,567</b>	<b>\$2,326,567</b>	<b>\$2,326,567</b>	<b>\$2,326,567</b>	<b>\$2,326,567</b>	<b>\$2,326,567</b>	<b>\$2,326,567</b>	<b>\$2,326,567</b>	<b>\$2,326,567</b>
<b>Total Intangible Assets and Goodwill</b>	<b>\$6,576,567</b>		<b>\$6,074,249</b>	<b>\$5,871,831</b>	<b>\$4,902,174</b>	<b>\$4,343,417</b>	<b>\$3,904,910</b>	<b>\$3,475,663</b>	<b>\$3,100,914</b>	<b>\$2,747,567</b>	<b>\$2,578,167</b>	<b>\$2,410,767</b>	<b>\$2,410,767</b>	<b>\$2,326,567</b>	<b>\$2,326,567</b>

**SCHEDULE 9**

**DEBT SERVICE COVERAGE RATIO**

	<b>Nov 30, 2012</b>	<b>31-Aug-12 audited</b>
CHANGE IN UNRESTRICTED NET ASSETS	(\$1,574,511)	\$589,555
POST RETIREMENT BENEFITS	\$0	\$341,853
DEPRECIATION	\$481,225	\$1,643,990
AMORTIZATION	\$366,280	\$1,286,146
INTEREST EXPENSE	\$99,331	\$235,523
LETTER OF CREDIT FEE	\$0	\$17,711
REALIZED/UNREALIZED GAINS/LOSSES	\$133,916	(\$1,062,154)
<b>TOTAL CASH FLOW (A)</b>	<b>(\$493,759)</b>	<b>\$3,052,624</b>
CURRENT PORTION -LONG TERM DEBT	\$647,500	\$647,500
CURRENT PORTION -CAPITAL LEASE	\$178,205	\$223,816
INTEREST EXPENSE	\$99,331	\$235,523
LETTER OF CREDIT FEE	\$0	\$17,711
<b>TOTAL CURRENT LONG TERM DEBT (B)</b>	<b>\$925,036</b>	<b>\$1,124,550</b>
<b>DEBT SERVICE COVERAGE (A/B)</b>	<b>(0.53)</b>	<b>2.71</b>
<b>DEBT BENCHMARK</b>	<b>1.1 TO 1.0</b>	<b>1.1 TO 1.0</b>

**CASH TO DEBT RATIO**

	<b>Nov 30, 2012</b>	<b>31-Aug-12 audited</b>
CASH AND EQUIVALENT	\$2,427,734	\$2,672,539
SHORT-TERM INVESTMENT	\$13,592,310	\$13,828,329
LONG-TERM INVESTMENT	\$32,466,629	\$32,560,816
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$48,486,673</b>	<b>\$49,061,684</b>
TEMPORARILY RESTRICTED NET ASSETS	\$4,021,087	\$5,048,836
PERMANENTLY RESTRICTED NET ASSETS	\$514,700	\$514,700
DEFERRED REVENUE	\$11,382,329	\$9,077,417
<b>NET ASSETS AND DEFERRED REVENUE</b>	<b>\$15,918,116</b>	<b>\$14,640,953</b>
<b>UNRESTRICTED CASH AND INVESTMENT(A)</b>	<b>\$32,568,557</b>	<b>\$34,420,731</b>
CURRENT PORTION OF LONG-TERM DEBT	\$647,500	\$647,500
NON-CURR PORTION OF LONG-TERM DEBT	\$9,452,500	\$9,452,500
CURRENT PORTION OF CAPITAL LEASE	\$178,205	\$223,816
NON-CURR PORTION OF CAPITAL LEASE	\$485,209	\$485,209
<b>TOTAL INDEBTEDNESS(B)</b>	<b>\$10,763,414</b>	<b>\$10,809,025</b>
<b>CASH TO DEBT RATIO (A/B)</b>	<b>3.03</b>	<b>3.18</b>
<b>CASH TO DEBT BENCHMARK</b>	<b>1.1 TO 1.0</b>	<b>1.1 TO 1.0</b>

SCHEDULE 9 HISTORY

DEBT SERVICE COVERAGE

CASH FLOW

	08/31/2008	02/28/2009	05/31/2009	02/28/2010	08/31/2010	02/28/2011	08/31/2011	02/29/2012
UNRESTRICTED NET ASSETS	\$412,544	(\$8,477,832)	(\$6,781,339)	(\$206,552)	\$2,724,200	\$1,243,521	\$555,957	\$1,143,477
DEPRECIATION	\$1,106,798	\$683,267	\$1,033,659	\$733,096	\$1,722,867	\$814,514	\$1,518,470	\$794,616
AMORTIZATION	\$137,606	\$10,900	\$16,350	\$131,213	\$244,132	\$215,524	\$442,362	\$324,219
INTEREST EXPENSE	\$87,146	\$30,446	\$46,630	\$36,649	\$154,369	\$71,809	\$150,693	\$58,538
LETTER OF CREDIT FEE	\$27,518	\$13,409	\$19,555	\$13,195	\$635,040	\$15,785	\$29,033	\$10,687
NET POST RETIREMENT	\$0	\$0	\$0	\$0	\$419,095	\$0	\$1,330,694	\$0
DIVISION NAT'L CONF. DEFERRED REVENUE	\$0	\$0	\$0	\$0	\$0	\$2,112,030	\$0	\$0
UNREALIZED GAINS/(LOSSES) ON SECURITIES	\$1,875,959	\$5,765,608	\$1,355,561	(\$149,204)	\$635,040	(\$2,580,307)	(\$1,960,406)	(\$566,547)
TOTAL CASH FLOW (A)	\$3,647,571	(\$1,974,202)	(\$4,309,584)	\$558,397	\$6,534,683	\$1,892,876	\$2,066,803	\$1,764,990
CURRENT PORTION -LONG TERM DEBT	\$155,000	\$305,369	\$305,369	\$59,662	\$124,925	\$206,340	\$215,945	\$221,499
CURRENT CAPITALIZED LEASE	\$80,779	\$61,093	\$28,368	\$14,184	\$85,000	\$22,642	\$9,272	\$168,365
INTEREST EXPENSE	\$87,146	\$30,446	\$46,649	\$36,649	\$154,369	\$71,809	\$150,693	\$58,538
LETTER OF CREDIT FEE	\$27,516	\$13,409	\$19,555	\$13,195	\$29,813	\$15,785	\$29,033	\$10,687
TOTAL CURRENT LONG TERM DEBT (B)	\$350,441	\$410,317	\$399,922	\$123,690	\$394,107	\$316,576	\$404,943	\$459,089
DEBT SERVICE COVERAGE (A/B)	10.41	(4.81)	(10.78)	4.51	16.58	5.98	5.10	3.84
DEBT BENCHMARK (GREATER THAN OR EQUAL TO)	1.0 TO 1.5	1.0 TO 1.5	1.0 TO 1.5	1.0 TO 1.5	1.0 TO 1.5	1.0 TO 1.5	1.0 TO 1.5	1.0 TO 1.5

UNENCUMBERED LIQUID ASSETS

	08/31/2008	02/28/2009	05/31/2009	02/28/2010	08/31/2010	02/28/2011	08/31/2011	02/29/2012
UNENCUMBERED/UNRESTRICTED SECURITIES	\$43,595,869	\$36,872,271	\$39,796,575	\$43,797,468	\$44,472,341	\$48,374,474	\$46,474,833	\$40,395,540
CASH AND EQUIVALENT	\$6,275,883	\$3,056,721	\$1,520,559	\$3,807,217	\$1,916,803	\$3,184,670	\$2,920,635	\$5,270,534
TOTAL LIQUID ASSETS	\$49,871,752	\$39,928,992	\$41,317,134	\$47,604,685	\$46,389,144	\$51,559,144	\$49,395,468	\$45,606,074
TOTAL LIABILITIES	\$33,508,284	\$38,618,140	\$39,139,134	\$45,338,706	\$37,027,629	\$41,360,225	\$39,080,797	\$42,698,503
LIQUID ASSET RATIO	1.49	1.03	1.06	1.05	1.25	1.25	1.26	1.07
LIQUID ASSET BENCHMARK	.60 TO 1.0	.60 TO 1.0	.60 TO 1.0	.60 TO 1.0	.60 TO 1.0	.60 TO 1.0	.60 TO 1.0	.60 TO 1.0

Yearly Amortization Date

Annual Rate 3.50%

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

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	\$28,488.78	\$28,488.78	\$9,452,500.00
02/01/2014	\$9,452,500.00	\$0.00	\$25,731.81	\$25,731.81	\$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	0.083	\$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	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
08/01/2016	31	0.086	\$7,010,000.00	\$1,147,500.00	\$23,792.71	\$1,172,085.80	\$7,010,000.00
09/01/2016	30	0.083	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
10/01/2016	31	0.086	\$7,010,000.00	\$0.00	\$20,445.83	\$20,445.83	\$7,010,000.00
11/01/2016	30	0.083	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
12/01/2016	31	0.086	\$7,010,000.00	\$0.00	\$20,445.83	\$20,445.83	\$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	\$21,127.36	\$21,127.36	\$7,010,000.00
03/01/2017	31	0.086	\$7,010,000.00	\$0.00	\$19,082.78	\$19,082.78	\$7,010,000.00
04/01/2017	30	0.083	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
05/01/2017	31	0.086	\$7,010,000.00	\$0.00	\$20,445.83	\$20,445.83	\$7,010,000.00
06/01/2017	30	0.083	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
07/01/2017	31	0.086	\$7,010,000.00	\$0.00	\$20,445.83	\$20,445.83	\$7,010,000.00
08/01/2017	31	0.086	\$5,862,500.00	\$1,147,500.00	\$21,127.36	\$1,168,627.36	\$5,862,500.00
09/01/2017	30	0.083	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
10/01/2017	31	0.086	\$5,862,500.00	\$0.00	\$17,098.96	\$17,098.96	\$5,862,500.00
11/01/2017	30	0.083	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
12/01/2017	31	0.086	\$5,862,500.00	\$0.00	\$17,098.96	\$17,098.96	\$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	\$17,668.92	\$17,668.92	\$5,862,500.00
03/01/2018	31	0.086	\$5,862,500.00	\$0.00	\$15,959.03	\$15,959.03	\$5,862,500.00
04/01/2018	30	0.083	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
05/01/2018	31	0.086	\$5,862,500.00	\$0.00	\$17,098.96	\$17,098.96	\$5,862,500.00
06/01/2018	30	0.083	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
07/01/2018	31	0.086	\$5,862,500.00	\$0.00	\$17,098.96	\$17,098.96	\$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	0.083	\$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
			\$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							