

## 2005-2006 EBD #4.2

TO: Finance and Audit Committee  
FROM: Russell Swedowski  
DATE: October 10, 2005  
RE: Fall Meeting Agenda Items

### **Inventory Levels-ALA Editions and Products & Promotions-**

Inventory levels at August 31, 2005, schedule 1, are as follows; ALA Editions \$738,072 and Products and Promotions (Graphics) \$622,796. The ALA Editions inventory reflects a \$49,000 valuation (down from \$53,000 at August 31, 2004) for Guide to Reference Books, 11th Edition. The largest item in the inventory for Products and Promotions at August 31, 2005 are the Read products, valued at \$14,486.

As of August 31, 2005 the excess and obsolete inventory reserves, schedule 2; reflect the following balances, ALA Editions (\$269,000) and Products and Promotions (\$96,000). In FY 2005, Graphics destroyed \$22,000 and ALA Editions destroyed \$64,000 of product deemed excess or obsolete. See schedule 3 for historical destruction levels. Additions to the reserve, net of reductions, through August are \$37,453 for ALA Editions and \$42,700 for Graphics (schedule 4). Testing of the reserve levels was performed as a part of the year-end closing process. ALA Editions reserve was deemed adequate and an additional \$20,000 was added to the Graphics reserve.

### **Credit and Collections-**

The aging of our trade receivables has continued to show improvement. While the 150+ day category has increased to \$187,717 as compared to the August 31, 2004 balance of \$101,149, the change is not material. Total trade accounts receivable are \$2,961,546 at August 31, 2004 as compared to \$1,943,418 at August 31, 2004.

The new fulfillment company, PBD, designed and provided several special year-end reports for use in the year-end close and audit. These reports are being used to test the adequacy of the bad debt reserve and the reserve for credit memos. The pre-adjusted reserve for bad debts had increased by \$61,496 at August 31, 2005 resulting in a balance of \$560,661. Year-end testing of this balance, completed with the first close, noted that the reserve was adequate. Excellent efforts by PBD and Credit and Collections at collecting accounts receivable are a major reason for the adequacy of the reserve.

**Annual Audit 2004-**

On Monday, July 18, 2005 representatives from Ernst & Young, the Association's audit firm arrived at 40 East Huron to commence the preliminary audit work. Association accounting staff provided the auditors the work papers and reconciliations they have requested so that they can complete the audit in a timely manner. The auditors will return for final fieldwork during the period November 7, 2005 to November 18, 2005.

**Cash Management and Bond Fund-**

Total cash and short-term investments at August 31, 2005 amounted to \$16,750,716 as compared to \$18,601,885 a year ago. The decrease is mainly related to higher accounts receivable. Year-to-date interest income is \$537,490, which is \$203,243 less than the budget of \$740,773 and \$86,584 less than last year.

The Neuberger Berman bond fund investment balance is \$11,429,831 at August 31, 2005. As noted in schedule 6, this investment has produced over \$5,399,000 in interest income since December 1991 and the yield has been well above the yield from certificates of deposit. With regard to risk of principal, the account finished FY 2005 with a realized/unrealized loss of \$217,019. At August 31, 2005 the cumulative (computed since December, 1991) net realized/unrealized loss is \$335,211. See schedule 7 for additional details.

AMERICAN LIBRARY ASSOCIATION  
HISTORICAL INVENTORY LEVELS  
AS OF AUGUST 31, 19XX

SCHEDULE 1

YEAR	GRAPHICS	% CHANGE	ALA EDITIONS	% CHANGE	TOTAL	% 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%	1,407,568	-10.08%
2002	534,669	-4.13%	728,283	-14.31%	1,262,951	-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%	1,407,737	8.88%
2005	31-Aug-05 622,796	8.90%	738,072	-11.70%	1,360,868	-3.33%

AMERICAN LIBRARY ASSOCIATION  
HISTORICAL E&O RESERVE LEVELS  
AS OF AUGUST 31, 19XX

SCHEDULE 2

YEAR	GRAPHICS	% CHANGE	ALA EDITIONS	% CHANGE	TOTAL	% 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	31-Aug-05 96,109	27.48%	268,718	-9.11%	364,827	-1.68%	26.81%

AMERICAN LIBRARY ASSOCIATION  
HISTORICAL INVENTORY DESTRUCTION  
AS OF AUGUST 31, 19XX

SCHEDULE 3

YEAR	GRAPHICS	ALA EDITIONS	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 31-Aug-05	21,981	64,403	86,384
	1,020,086	966,430	1,986,516
	=====	=====	=====

AMERICAN LIBRARY ASSOCIATION  
HISTORICAL INVENTORY RESERVE ADDITIONS  
AS OF AUGUST 31, 19XX

SCHEDULE 4

YEAR	GRAPHICS	ALA EDITIONS	TOTAL
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 31-Aug-05	42,700	37,453	80,153
	991,298	897,246	1,888,544
	=====	=====	=====

AMERICAN LIBRARY ASSOCIATION  
AGING OF TRADE ACCOUNTS RECEIVABLE

SCHEDULE 5

FISCAL 03-04	CURR	30 DAYS	60 DAYS	90 DAYS	120 DAYS	150 DAYS	TOT. ACCT REC
September 2003	1,810,822	446,107	154,251	105,812	89,123	203,641	2,809,756
October 2003	1,072,809	718,829	184,366	62,638	60,106	75,092	2,173,839
November 2003	950,097	497,112	501,525	141,977	49,408	17,602	2,157,721
December 2003	1,023,972	302,603	191,784	318,573	77,949	(6,200)	1,908,681
January 2004	1,217,025	310,358	167,830	91,370	261,676	38,896	2,087,154
February 2004	987,632	581,911	166,936	126,292	46,815	170,498	2,080,084
March 2004	1,310,412	429,657	288,436	117,813	96,845	353,251	2,596,413
April 2004	1,062,206	472,473	285,019	189,745	62,149	226,486	2,298,078
May 2004	1,214,533	382,591	230,241	113,627	74,570	149,391	2,164,953
June 2004	993,625	504,126	135,939	174,431	53,845	121,891	1,983,857
July 2004	788,116	435,171	218,997	78,103	52,163	120,493	1,693,043
August 2004	1,213,065	222,013	184,931	169,937	52,323	101,149	1,943,418
03-04 Totals	13,644,315	5,302,951	2,710,254	1,690,318	976,970	1,572,190	25,896,998
FISCAL AVG	1,137,026	441,913	225,855	140,860	81,414	131,016	2,158,083

AMERICAN LIBRARY ASSOCIATION  
AGING OF TRADE ACCOUNTS RECEIVABLE

SCHEDULE 5

FISCAL 04-05	CURR	30 DAYS	60 DAYS	90 DAYS	120 DAYS	150 DAYS	TOT. ACCT REC
September 2004	1,609,494	311,381	123,140	61,958	176,285	195,234	2,477,491
October 2004	1,019,312	599,696	122,574	85,524	55,834	332,824	2,215,765
November 2004	1,228,752	319,497	455,358	56,900	52,129	313,522	2,426,157
December 2004	1,002,303	487,842	128,188	93,375	23,638	195,955	1,931,299
January 2005	1,127,474	270,563	249,026	61,465	53,839	133,920	1,896,288
February 2005	1,241,523	437,186	213,238	131,610	30,309	121,847	2,175,713
March 2005	1,917,471	652,172	220,006	122,887	183,097	377,009	3,472,643
April 2005	1,244,810	1,015,857	282,422	62,944	59,880	434,422	3,100,336
May 2005	1,001,148	506,694	443,105	77,394	(3,957)	256,791	2,281,176
June 2005	1,248,286	252,470	248,389	130,881	13,520	(15,263)	1,878,283
July 2005	1,516,343	517,023	212,408	153,824	157,401	163,579	2,720,577
August 2005	1,524,828	837,936	208,263	121,448	81,354	187,717	2,961,546
04-05 Totals	15,681,744	6,208,315	2,906,117	1,160,211	883,329	2,697,557	29,537,273
FISCAL AVG	1,306,812	517,360	242,176	96,684	73,611	224,796	2,461,439

HISTORY OF DEPOSITS TO THE NEUBERGER BERMAN ACCOUNTS

SCHEDULE 6

AS OF AUGUST 31, 19XX						
DATE	AMOUNT	31-Aug-05 # MONTHS	YEAR	MARKET VALUE	INTEREST INCOME	YIELD
15-Dec-91	1,500,000	167	1991	1,493,202	5,529	6.66%
15-Feb-92	500,000	165	1992	2,107,981	91,630	6.82%
15-Feb-93	1,000,000	153	1993	4,717,417	174,093	5.93%
15-May-93	1,000,000	150	1994	4,726,074	264,791	4.94%
15-Jun-93	500,000	149	1995	5,784,008	319,958	6.57%
15-Jun-95	750,000	124	1996	5,990,229	374,246	6.53%
21-Mar-01	400,000	54	1997	6,377,031	400,808	6.25%
29-Mar-01	400,000	54	1998	6,855,814	418,743	6.30%
20-Apr-01	555,400	53	1999	7,005,423	422,880	6.11%
			2000	7,324,250	422,114	6.12%
	6,605,400		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%
			31-Aug-05	11,429,819	314,408	4.42%
					=====	
					5,228,399	
					=====	

AMERICAN LIBRARY ASSOCIATION  
 NEUBERGER BERMAN BOND FUND  
 STATEMENT OF REALIZED GAINS AND LOSSES  
 FOR THE TWELVE MONTHS ENDING AUGUST 31, 2005

SCHEDULE 7

MONTHLY REALIZED/UNREALIZED GAIN/(LOSS)

	BOND FUND #1 TOTAL		BOND FUND #2 TOTAL		PPG MERRILL LYNCH		NET
	UNREALIZED	REALIZED	UNREALIZED	REALIZED	UNREALIZED	REALIZED	
SEPTEMBER	(13,884)	(3,721)	(12,329)	(231)	(1,541)	(2,713)	(34,419)
OCTOBER	40,356	(42,158)	5,470	(3,618)	6,435	0	6,485
NOVEMBER	(23,497)	0	(30,182)	(3,864)	(22,492)	(276)	(80,311)
DECEMBER	(2,686)	0	469	(719)	6,608	0	3,672
JANUARY	(7,611)	0	(5,321)	0	2,906	(8,986)	(19,012)
FEBRUARY	(9,885)	(5,045)	(36,771)	(5,037)	(20,634)	0	(77,372)
MARCH	10,790	(21,191)	(21,068)	0	(14,052)	(3,598)	(49,119)
APRIL	17,589	(6,628)	25,123	(4,275)	16,112	0	47,921
MAY	19,566	(12,871)	25,844	(8,427)	18,467	(13,072)	29,507
JUNE	(6,970)	(1,164)	3,714	(3,436)	390	0	(7,466)
JULY	(20,841)	(1,012)	(42,453)	0	(23,366)	1,897	(85,775)
AUGUST	10,048	(746)	28,966	(1,944)	13,184	0	49,508
IND SECURITIES					(638)		(638)
	12,975	(94,536)	(58,538)	(31,551)	(18,621)	(26,748)	(217,019)
FY 1993 CFWD	58,654	12,277					70,931
FY 1994 CFWD	(156,399)	(69,198)					(225,597)
FY 1995 CFWD	93,596	(22,622)	4,226	(105)			75,095
FY 1996 CFWD	(66,905)	(1,983)	(22,489)	3,738			(87,639)
FY 1997 CFWD	26,857	24,234	22,728	(6,023)			67,796
FY 1998 CFWD	66,645	2,908	29,601	6,348			105,502
FY 1999 CFWD	(92,624)	(34,831)	(60,828)	7,844	(56,811)	(17,950)	(255,200)
FY 2000 CFWD	56,095	(48,716)	36,945	(30,200)	31,671	(34,284)	11,511
FY 2001 CFWD	125,591	39,538	51,791	22,697	34,830	24,279	298,726
FY 2002 CFWD	(39,265)	17,957	73,991	14,918	(3,901)	14,517	78,217
FY 2003 CFWD	(76,357)	2,002	(112,917)	87,065	(53,834)	34,883	(119,158)
FY 2004 CFWD	(47,062)	(44,618)	(10,436)	(22,627)	(15,989)	2,356	(138,376)
	(38,199)	(217,588)	(45,926)	52,104	(82,655)	(2,947)	(335,211)