

EBD #3.8

AMERICAN LIBRARY ASSOCIATION
CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
YEARS ENDED AUGUST 31, 2018 AND 2017

DRAFT

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INDEPENDENT AUDITOR'S REPORT

Executive Board
American Library Association
Chicago, Illinois

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of American Library Association, which comprise the consolidated statements of financial position as of August 31, 2018 and 2017, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Library Association as of August 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Chicago, Illinois
T/B/D

CONSOLIDATED FINANCIAL STATEMENTS

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American Library Association
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31,

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 993,841	\$ 1,182,336
Short-term investments	9,344,249	8,177,379
Accounts receivable, less allowance for doubtful accounts and returns of \$614,367 and \$361,730 in 2018 and 2017, respectively	3,567,215	3,683,835
Inventories, less reserves of \$341,440 and \$233,051 in 2018 and 2017, respectively	1,551,367	1,718,186
Grants receivable	455,353	237,809
Prepaid expenses and other assets	<u>533,926</u>	<u>1,069,519</u>
Total current assets	16,445,951	16,069,064
INTEREST RECEIVABLE	42,064	-
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	11,355,559	10,855,967
GOODWILL	1,000,000	1,000,000
INTANGIBLE ASSETS, LESS AMORTIZATION	685,284	1,045,450
LONG-TERM INVESTMENTS	<u>53,360,618</u>	<u>43,542,959</u>
TOTAL ASSETS	<u>\$ 82,889,476</u>	<u>\$ 72,513,440</u>

The accompanying notes are an integral part of the consolidated financial statements.

American Library Association
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED
 August 31,

LIABILITIES AND NET ASSETS	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Accounts payable	\$ 2,857,174	\$ 3,191,359
Accrued liabilities	949,093	919,802
Deferred revenue		
Publication subscriptions	2,266,651	2,236,491
Membership dues	3,944,041	3,947,673
Conference fees	3,092,882	3,438,861
Grants and awards	3,419,998	3,791,312
Current portion of long-term debt	<u>1,100,000</u>	<u>1,200,000</u>
Total current liabilities	17,629,839	18,725,498
DEFERRED GRANTS AND AWARDS	10,283,127	-
LONG-TERM DEBT, NET OF CURRENT PORTION	900,000	2,000,000
NON-CURRENT PORTION OF ACCRUED POST-RETIREMENT BENEFITS	<u>6,950,373</u>	<u>11,896,615</u>
Total liabilities	35,763,339	32,622,113
NET ASSETS		
Unrestricted	42,297,159	34,994,051
Temporarily restricted	4,314,278	4,382,576
Permanently restricted	<u>514,700</u>	<u>514,700</u>
Total net assets	<u>47,126,137</u>	<u>39,891,327</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 82,889,476</u></u>	<u><u>\$ 72,513,440</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

American Library Association
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended August 31, 2018

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support				
Operating revenues				
Membership dues	\$ 8,293,466	\$ -	\$ -	\$ 8,293,466
Sales of books and materials	7,911,642	-	-	7,911,642
Subscriptions	4,402,061	-	-	4,402,061
Advertising	5,594,847	-	-	5,594,847
Meetings and conferences	13,146,986	-	-	13,146,986
Grants and awards	6,433,293	537,216	-	6,970,509
Contributions	1,323,119	387,582	-	1,710,701
Dividends and interest income				
Short-term investments	1,110,475	-	-	1,110,475
Long-term investments	450,966	19,529	-	470,495
Other	3,773,476	5,312	-	3,778,788
Total operating revenues	52,440,331	949,639	-	53,389,970
Net assets released from restrictions				
Satisfaction of program restrictions	1,070,916	(1,070,916)	-	-
Total revenues and other support	53,511,247	(121,277)	-	53,389,970
Expenses (recovery)				
Payroll	23,305,094	-	-	23,305,094
Outside services	8,021,781	-	-	8,021,781
Travel	2,922,438	-	-	2,922,438
Meetings and conferences	8,789,951	-	-	8,789,951
Scholarships and awards	418,431	-	-	418,431
Publications	4,090,734	-	-	4,090,734
Administration	6,751,590	-	-	6,751,590
Post-retirement benefits	(5,225,704)	-	-	(5,225,704)
Total expenses (recovery)	49,074,315	-	-	49,074,315
Other post-retirement employee benefit-related cost other than net periodic post-retirement cost	(611,523)	-	-	(611,523)
Excess (deficiency) of operating revenues and other support over operating expenses	3,825,409	(121,277)	-	3,704,132
Non-operating				
Net realized and change in unrealized gains (losses)				
Short-term investments	(100,695)	-	-	(100,695)
Long-term investments	3,583,303	52,979	-	3,636,282
Change in investment in publishing venture	(4,909)	-	-	(4,909)
Impairment loss - goodwill	-	-	-	-
CHANGE IN NET ASSETS	7,303,108	(68,298)	-	7,234,810
Net assets, beginning of year	34,994,051	4,382,576	514,700	39,891,327
Net assets, end of year	<u>\$ 42,297,159</u>	<u>\$ 4,314,278</u>	<u>\$ 514,700</u>	<u>\$ 47,126,137</u>

The accompanying notes are an integral part of the consolidated financial statements.

American Library Association
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended August 31, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support				
Operating revenues				
Membership dues	\$ 8,115,536	\$ -	\$ -	\$ 8,115,536
Sales of books and materials	6,342,871	-	-	6,342,871
Subscriptions	4,516,120	-	-	4,516,120
Advertising	5,903,057	-	-	5,903,057
Meetings and conferences	11,695,804	-	-	11,695,804
Grants and awards	5,686,659	633,049	-	6,319,708
Contributions	1,193,644	199,717	-	1,393,361
Dividends and interest income				
Short-term investments	1,333,533	-	-	1,333,533
Long-term investments	308,648	17,678	-	326,326
Other	3,049,254	5,466	-	3,054,720
Total operating revenues	48,145,126	855,910	-	49,001,036
Net assets released from restrictions				
Satisfaction of program restrictions	1,342,281	(1,342,281)	-	-
Total revenues and other support	49,487,407	(486,371)	-	49,001,036
Expenses				
Payroll	23,058,262	-	-	23,058,262
Outside services	8,427,506	-	-	8,427,506
Travel	2,171,550	-	-	2,171,550
Meetings and conferences	7,409,712	-	-	7,409,712
Scholarships and awards	421,140	-	-	421,140
Publications	3,642,228	-	-	3,642,228
Administration	6,491,879	-	-	6,491,879
Post-retirement benefits	2,212,700	-	-	2,212,700
Total expenses	53,834,977	-	-	53,834,977
Other post-retirement employee benefit-related credit other than net periodic post-retirement cost	12,450,612	-	-	12,450,612
Excess (deficiency) of operating revenues and other support over operating expenses	8,103,042	(486,371)	-	7,616,671
Non-operating				
Net realized and change in unrealized gains (losses)				
Short-term investments	(248,569)	-	-	(248,569)
Long-term investments	2,937,713	48,161	-	2,985,874
Change in investment in publishing venture	(19,747)	-	-	(19,747)
Impairment loss - goodwill	(826,567)	-	-	(826,567)
CHANGE IN NET ASSETS	9,945,872	(438,210)	-	9,507,662
Net assets, beginning of year	25,048,179	4,820,786	514,700	30,383,665
Net assets, end of year	<u>\$ 34,994,051</u>	<u>\$ 4,382,576</u>	<u>\$ 514,700</u>	<u>\$ 39,891,327</u>

The accompanying notes are an integral part of the consolidated financial statements.

American Library Association
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended August 31,

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 7,234,810	\$ 9,507,662
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization - property and equipment	2,084,863	2,150,132
Amortization - intangible assets	360,166	360,166
Net realized and unrealized (gains) losses		
Short-term investments	100,695	248,569
Long-term investments	(3,636,282)	(2,985,874)
Change in investment in publishing venture	(4,909)	(19,747)
Impairment loss - goodwill	-	826,567
Increase in allowance for doubtful accounts and returns	252,637	43,639
Increase in reserve for inventories	108,389	20,915
Increase in interest receivable	(42,064)	-
Changes in operating assets and liabilities		
Accounts receivable	(136,017)	49,862
Inventories	58,430	44,640
Grants receivable	(217,544)	333,743
Prepaid expenses and other assets	535,593	(595,307)
Accounts payable	(334,185)	101,821
Accrued liabilities	29,291	(141,199)
Deferred revenue	9,592,362	(6,157)
Accrued post-retirement benefits	(4,946,242)	(10,346,585)
Net cash provided by (used in) operating activities	<u>11,039,993</u>	<u>(407,153)</u>
Cash flows from investing activities		
Purchase of property and equipment	(2,584,455)	(1,818,258)
Purchase of short-term investments	(8,183,632)	(21,336,991)
Proceeds from sale of short-term investments	6,916,067	27,065,546
Purchase of long-term investments	(15,966,356)	(10,960,418)
Proceeds from sale of long-term investments	<u>9,789,888</u>	<u>10,438,364</u>
Net cash provided by (used in) investing activities	<u>(10,028,488)</u>	<u>3,388,243</u>
Cash flows from financing activities		
Payments on line of credit	-	(1,000,000)
Payments on capital lease obligations	-	(29,604)
Principal payments of long-term debt	<u>(1,200,000)</u>	<u>(1,300,000)</u>
Net cash used in financing activities	<u>(1,200,000)</u>	<u>(2,329,604)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(188,495)	651,486
Cash and cash equivalents, beginning of year	<u>1,182,336</u>	<u>530,850</u>
Cash and cash equivalents, end of year	<u>\$ 993,841</u>	<u>\$ 1,182,336</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 98,639</u>	<u>\$ 169,242</u>

The accompanying notes are an integral part of the consolidated financial statements.

NOTE A - PURPOSE OF ORGANIZATION

The accompanying consolidated financial statements represent the accounts of the American Library Association (the "Association") and its affiliates, the ALA Allied Professional Association, Inc. (the "ALA/APA") and the Margaret Alexander Edwards Trust (the "Edwards Trust").

The Association, a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code of 1986 (the "IRC") and the oldest and largest national library association in the world, is organized to promote libraries and librarianship. Governed by a council of 186 members (the "Council") and representing more than 58,000 personal and organizational members, the mission of the Association is to provide leadership for the development, promotion and improvement of library and information services and the profession of librarianship in order to enhance learning and ensure access to information for all.

The ALA/APA, governed by the Council, is organized to promote the mutual professional interests of librarians and other library workers. The ALA/APA was incorporated in July 2003 as a not-for-profit corporation under Section 501(c)(6) of the IRC. Significant intercompany transactions have been eliminated in consolidation.

The Edwards Trust, governed by the Council, is organized to promote reading among young adults. The Edwards Trust was established in 1989 under Section 501(c)(3) of the IRC as an exempt private foundation. Significant intercompany transactions have been eliminated in consolidation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires the use of estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are assets whose use have been limited by donors to a specific time period or purpose. Assets released from restrictions are reported in the consolidated statements of operations and changes in net assets as additions to unrestricted net assets.

Permanently restricted net assets consist of amounts designated by donors to be held in perpetuity. Earnings, gains and losses on permanently restricted net assets are included in unrestricted revenue and other support unless restricted by donors.

Contributions

Contributions are considered to be available for the general programs of the Association unless specifically restricted by the donor. Contributions are recorded at fair value.

Unconditional promises of others to contribute cash or other assets are reported at fair value at the date the promise is made. The contributions are reported as temporarily or permanently restricted if they are received with donor stipulations that limit the use of the contributed assets to a specific time period or purpose or if the contribution is to be held in perpetuity. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as unrestricted. Restricted earnings are recorded as additions to temporarily restricted net assets until such amounts are expended in accordance with the donor's specifications.

When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restrictions.

Grant Revenue

Grant revenue is recognized when the expenses have been incurred or when conditions have been met for the purpose specified by the grantor. Payments received in advance are initially recorded as deferred revenue. Grants that make payments on a reimbursement basis are included in grants receivable on the accompanying consolidated statements of financial position until payment is received.

Revenue Recognition

Membership dues are recorded as revenue over the period for which such dues have been assessed. Revenue from publishing activities is recognized as follows: sales of books and other materials are recorded when the goods are shipped to a customer; subscriptions to publications are recorded over the respective subscription period; and advertising in publications is recorded when the publication is issued.

Registration fees for attending meetings, conferences and certain special programs are recorded as revenue at the time the related program takes place.

The Association receives significant amounts of membership dues, publication subscriptions and fees for meetings, conferences and special projects in advance of earning this revenue. The advance payments are recorded as deferred revenue in the accompanying consolidated statements of financial position.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, Revenue Recognition. ASU No. 2014-09 provides for a single five-step model to be applied to all revenue contracts with customers. ASU No. 2014-09 also requires additional financial statement disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. The Association is currently evaluating the methods of adoption allowed by ASU No. 2014-09 and the effect that ASU No. 2014-09 is expected to have on its financial position, results of operations, and cash flows and related disclosures.

Advertising

Advertising costs are expensed as incurred.

Cash Equivalents

Cash equivalents consist of money market account deposits that are highly liquid and have a maturity of three months or less at the date of acquisition. Cash includes cash held in bank accounts with balances that exceed the Federal Deposit Insurance Corporation insured limits of \$250,000. The Association has not experienced any losses in such accounts and management believes it is not exposed to significant financial risk.

Accounts Receivable

The Association evaluates the collectability of its accounts receivable based on the length of time the receivables are outstanding and the anticipated future collectible amounts based on historical experience. Accounts receivable are charged to the allowance for doubtful accounts when they are deemed uncollectible and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The Association does not require collateral.

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB "ASC" establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. These include investments for which quoted prices are available but which are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a Net Asset Value ("NAV") per share, or its equivalent, that may be redeemed at that NAV at the dates of the consolidated statements of financial position or in the near term, which is generally considered to be within 90 days.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

Transfers between levels are recognized as of the end of the reporting period.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes observable input requires significant judgment by the Association. The Association considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

Inventories

In July 2015, the FASB issued ASU No. 2015-11 - Inventory. ASU No. 2015-11 simplifies the measurement of inventory by requiring inventory to be measured at the lower of cost or net realizable value. ASU No. 2015-11 is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. ASU No. 2015-11 was adopted by the Association for the year beginning September 1, 2017 and did not have a material impact on the Association's financial statements or financial statement disclosures.

Inventories primarily include books, pamphlets, posters and paper. Inventories are carried at the lower of cost (first-in, first-out basis) or net realizable value, and are recorded at an amount that includes direct expenses incurred in production. Indirect and copy editing costs are expensed as incurred.

Inventories are stated net of a reserve for excess and obsolete items. Reserves for obsolete inventories are based on estimated future sales as related to quantities of stock on hand. Consignment inventories are sold by the Association based upon sales agreements with two publishing companies.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Capitalization occurs when the aggregate cost of property or equipment exceeds \$1,000 and that property has an estimated useful life of 3 years or more. Buildings are depreciated over useful lives of 37 to 50 years, furniture and equipment are depreciated over useful lives of 3 to 10 years, and technology and related equipment are depreciated or amortized over useful lives of 3 to 5 years. Depreciation and amortization is provided using the straight-line method. Upon retirement or sale of assets, the cost and related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is credited or charged in determining the change in net assets.

Goodwill

The Association applies the acquisition method of accounting for business combinations. Under this method, all assets and liabilities acquired in a business combination, including goodwill, are recorded at fair value. The purchase price allocation requires subjective judgments concerning estimates of the fair value of the acquired assets and liabilities. Goodwill consists principally of the excess of cost over the fair value of net assets acquired in business combinations, as further described in Notes I and J, and is not amortized.

In January 2017, the FASB issued ASU No. 2017-04, *Goodwill And Other (Topic 350) – Simplifying the Test for Goodwill Impairment*. ASU No. 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 of the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Under ASU No. 2017-04, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and then recognize an impairment charge, as necessary, for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

ASU No. 2017-04 is effective for fiscal years and interim periods within those years beginning after December 15, 2021, and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Association adopted ASU No. 2017-04 for its goodwill impairment test in 2017.

Going Concern Evaluation

In accordance with ASU No. 2014-15 management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Association's ability to continue as a going concern. Management's assessment did not identify any conditions or events raising substantial doubt about the Association's ability to continue as a going concern for the period from T/B/D, 2018 to T/B/D, 2019.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. ASU No. 2016-02 requires that leased assets be recognized as assets on the statements of financial position and the liabilities for the obligations under the lease also be recognized on the statements of financial position. ASU No. 2016-02 requires disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The required disclosures include qualitative and quantitative requirements. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years beginning after December 15, 2020. Early adoption is permitted. ASU No. 2016-02 must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Association is currently evaluating the methods of adoption allowed by ASU No. 2016-02 and the effect that ASU No. 2016-02 is expected to have on its financial position, results of operations, and cash flows and related disclosures.

Presentation of Financial Statements

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). ASU No. 2016-14 is intended to simplify how the Association classifies its net assets, and also improve the information it presents in the consolidated financial statements and notes about liquidity, financial performance and cash flows. ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods with fiscal years beginning after December 15, 2018. The Association is currently evaluating the methods of adoption allowed by ASU No. 2016-14 and the effect that ASU No. 2016-14 is expected to have on its financial position, results of operations and cash flows and related disclosures.

Presentation of Post Retirement Costs

In March 2017, the FASB issued ASU 2017-07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. ASU 2017-07 requires that an entity report the service cost component of net periodic pension and postretirement cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The remaining components of net benefit costs are required to be presented in the statement of operations and changes in net assets separately from the service component and outside a subtotal of revenue from operations, if one is presented.

The amendment further allows only the service cost component of net periodic pension and postretirement costs to be eligible for capitalization. ASU 2017-07 is effective beginning after December 15, 2017. ASU 2017-07 will be effective for the Association beginning on September 1, 2018. ASU 2017-07 must be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the statement of operations and changes in net assets, and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The Association is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

NOTE C - RESTRICTED INVESTMENTS

The Association has included in investments restricted cash and investment balances of \$9,134,366 at August 31, 2018, which represents grant funds received in advance to be expended in accordance with specifically-defined purposes, as described in the grant agreement. There was no restricted cash and investments for the year ended August 31, 2017.

NOTE D - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Preparation and publication of reading lists	\$ 694,148	\$ 734,943
Scholarships, awards and fellowships	3,530,289	3,553,748
Promotion of public libraries	65,268	68,655
Other	<u>24,573</u>	<u>25,230</u>
	<u>\$ 4,314,278</u>	<u>\$ 4,382,576</u>
Purpose or time restrictions accomplished:		
Preparation and publication of reading lists	\$ 58,701	\$ 44,168
Scholarships, awards and fellowships	1,007,446	1,293,800
Promotion of public libraries	3,387	3,067
Other	<u>1,382</u>	<u>1,246</u>
	<u>\$ 1,070,916</u>	<u>\$ 1,342,281</u>

American Library Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018 and 2017

As of August 31, 2018 and 2017, the Association's permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support the following purposes:

	<u>2018</u>	<u>2017</u>
Preparation and publication of reading lists	\$ 100,000	\$ 100,000
Scholarships, awards and fellowships	411,700	411,700
Other	<u>3,000</u>	<u>3,000</u>
	<u>\$ 514,700</u>	<u>\$ 514,700</u>

NOTE E - INVESTMENT IN PUBLISHING VENTURE

The Association is a participant, with two other organizations, in a publishing venture. The three participating organizations (the "Participant(s)") each own, as tenants in common, one-third shares of the copyright created by the efforts of this publishing venture. Under a separate agreement, a committee was established to administer a fund (the "Fund") and to apply the assets of the Fund toward making amendments and revisions to the copyrighted materials, and to fund future product development, travel and administrative support. Each Participant is obligated to remit to the Fund a royalty of 10% of the Participant's sales of the copyrighted material. The Association serves as custodian for the Fund on behalf of the Participants.

At August 31, 2018 and 2017, the Association has a \$678,000 net receivable (net of \$120,000 in allowance reserves) and a \$665,000 receivable (net of \$117,000 in allowance reserves), respectively, from the Fund for expenditures paid. Total amounts owed by the Association to the Fund for royalties during the years ended August 31, 2018 and 2017, were \$110,769 and \$118,037, respectively. For 2018 and 2017, the Association's portion of the Fund's net loss was \$4,909 and \$19,747, respectively, which is reflected in the accompanying consolidated statements of operations and changes in net assets.

The following summarizes the condensed financial information of the Fund as of and for the years ended August 31:

	<u>2018</u>	<u>2017</u>
Total assets	\$ 293,634	\$ 182,263
Total liabilities	894,122	768,025
Revenues	112,088	119,556
Expenses	126,815	178,796

NOTE F - MARGARET ALEXANDER EDWARDS TRUST

On December 20, 2013, the Association assumed control of the Edwards Trust (the "Trust") with an approximate fair value of \$970,000. The purpose of the trust is to distribute funds to further the personal reading of young adults.

The Trust is a separate legal entity and is consolidated with the activities of the Association. The Trust is managed in accordance with the same investment, disbursement and spending policies as the Association's other investment funds.

NOTE G - ALLOWANCE FOR DOUBTFUL ACCOUNTS AND RETURNS

Changes in the Association's allowance for doubtful accounts and returns for the years ended August 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 361,730	\$ 318,091
Provision for bad debts	296,660	73,797
Accounts written off	(44,136)	(35,184)
Amounts recovered	<u>113</u>	<u>5,026</u>
Ending balance	\$ <u><u>614,367</u></u>	\$ <u><u>361,730</u></u>

NOTE H - PROPERTY AND EQUIPMENT

The components of property and equipment at August 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 2,443,394	\$ 2,443,394
Buildings and improvements	14,452,279	14,393,006
Furniture and other equipment	2,905,936	2,893,950
Technology and related equipment	<u>27,115,020</u>	<u>24,601,824</u>
Total property and equipment	46,916,629	44,332,174
Less accumulated depreciation and amortization	(<u>35,561,070</u>)	(<u>33,476,207</u>)
Property and equipment, net	\$ <u><u>11,355,559</u></u>	\$ <u><u>10,855,967</u></u>

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018 and 2017

Unamortized software development costs included in property and equipment at August 31, 2018 and 2017, were \$1,639,785 and \$1,350,043, respectively. Related amortization expense was \$507,389 and \$597,060 in 2018 and 2017, respectively. Property and equipment depreciation and amortization expense was \$2,084,863 and \$2,150,132 for the years ended August 31, 2018 and 2017, respectively.

NOTE I - INTANGIBLE ASSETS

The Association recognizes an acquired intangible asset apart from goodwill whenever the intangible asset arises from contractual or other legal rights, or when it can be separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged, either individually or in combination with a related contract, asset, or liability. Intangible assets are stated at cost less accumulated amortization and consist of trademarks and brand extension, co-publishing relationship, distribution relationship, backlist, customer relationships, online and catalog and a non-compete agreement. The Association reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Impairment losses are recognized if the carrying amount of an intangible subject to amortization is not recoverable from expected future cash flows and its carrying amount exceeds its fair value. There was no impairment of intangible assets at August 31, 2018 and 2017.

The Association initially allocated \$4,250,000 of the purchase price in the Neal Schuman Publishers, Inc. acquisition on December 23, 2011, to the intangible assets in the following table. During the year ended August 31, 2013, a \$380,000 impairment loss was recognized on intangible assets, resulting in the allocation of \$3,870,000 to the following groupings and estimation of useful lives as determined by independent expert appraisal:

<u>Intangible Asset</u>	<u>August 31, 2018</u>			<u>Estimated Useful Life (Years)</u>
	<u>Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>	
Trademarks and brand extension	\$ 1,684,000	\$ (1,094,600)	\$ 589,400	10
Co-publishing relationship	998,000	(926,713)	71,287	7
Distribution relationship	356,000	(335,930)	20,070	7
Backlist	516,000	(516,000)	-	3
Customer relationships	92,000	(87,473)	4,527	7
Online and catalog	150,000	(150,000)	-	3
Non-compete agreement	<u>74,000</u>	<u>(74,000)</u>	<u>-</u>	4
	\$ <u>3,870,000</u>	\$ <u>(3,184,716)</u>	\$ <u>685,284</u>	

American Library Association
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018 and 2017

<u>Intangible Asset</u>	August 31, 2017			Estimated Useful Life (Years)
	<u>Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>	
Trademarks and brand extension	\$ 1,684,000	\$ (926,200)	\$ 757,800	10
Co-publishing relationship	998,000	(784,143)	213,857	7
Distribution relationship	356,000	(295,786)	60,214	7
Backlist	516,000	(516,000)	-	3
Customer relationships	92,000	(78,421)	13,579	7
Online and catalog	150,000	(150,000)	-	3
Non-compete agreement	<u>74,000</u>	<u>(74,000)</u>	<u>-</u>	4
	<u>\$ 3,870,000</u>	<u>\$ (2,824,550)</u>	<u>\$ 1,045,450</u>	

Amortization expense charged to the operations of the Association was \$360,166 for the years ended August 31, 2018 and 2017. Amortization has been computed based on the estimated useful lives described above.

The estimated intangible assets amortization expense for the next four years is as follows:

2019	\$ 264,284
2020	168,400
2021	168,400
2022	<u>84,201</u>
Total	<u>\$ 685,285</u>

The above information was the result of an acquisition of the net assets of Neal Schuman Publishers, Inc. for a total purchase price of \$7,058,918, funded through operating cash and a term loan on December 23, 2011. The purchase was accounted for under the acquisition method of accounting, whereby the underlying assets acquired were recorded at their fair value. The excess of the purchase price over the fair value of the net assets acquired was initially recorded as goodwill of \$2,326,567. A \$500,000 goodwill impairment loss was recognized during the year ended August 31, 2013. An additional goodwill impairment loss of \$826,567 was recognized during the year ended August 31, 2017. As of August 31, 2018 and 2017, goodwill was \$1,000,000.

NOTE J - GOODWILL

The Association performs an annual impairment analysis of goodwill. The events and circumstances considered significant are under-performance relative to projected future operating results and significant changes in the overall business and/or product strategies. Impairment of goodwill is evaluated by performing a qualitative assessment to determine if it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss for the excess is recorded. The implied fair value is determined by estimating the future earnings of the reporting unit using the income approach model.

The result of this analysis concluded the carrying amount exceeded fair value and an impairment loss of \$826,567 was recorded in the consolidated statement of operations and changes in net assets for the year ended August 31, 2017. There was no impairment of goodwill at August 31, 2018.

NOTE K - INVESTMENTS

The composition of the Association's investment portfolio at August 31 is as follows:

Type	2018	2017
Short-term investments		
Cash	\$ 2,203,924	\$ 99,251
Certificates of deposit	1,000,000	-
Corporate securities	4,928,830	6,756,996
U.S. Government securities	<u>1,211,495</u>	<u>1,321,132</u>
Total short-term investments	\$ <u>9,344,249</u>	\$ <u>8,177,379</u>
Long-term investments		
Cash	\$ 1,527,106	\$ 777,793
Common stock	23,013,109	22,071,882
Certificates of deposit	6,000,000	-
Corporate securities	19,007,169	17,789,413
Fund of funds		
hedge fund	684,289	840,405
Hedge fund	1,057,624	1,026,596
Private equity fund	<u>2,071,321</u>	<u>1,036,870</u>
Total long-term investments	\$ <u>53,360,618</u>	\$ <u>43,542,959</u>

Investment return (loss) consists of the following for the years ended August 31:

	<u>2018</u>	<u>2017</u>
Unrealized gain on investments	\$ 1,975,324	\$ 2,881,518
Net realized gain (loss) on the sale of investments	<u>1,560,263</u>	<u>(144,213)</u>
	3,535,587	2,737,305
Dividends and interest income	<u>1,580,970</u>	<u>1,659,859</u>
	\$ <u>5,116,557</u>	\$ <u>4,397,164</u>

NOTE L - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to measure the carrying value of each class of financial instruments appearing on the accompanying consolidated statements of financial position for which it is practical to estimate the fair value.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of money market accounts and are carried at amortized cost, which approximates fair value.

Accounts and Grants Receivable

Accounts and grants receivable are shown net of allowance for uncollectible amounts and are reflected at their approximate fair value.

Investments

Investments are stated at fair value, except for investments in cash, which are at amortized cost. Investments with values that are based on quoted market prices in active markets and are, therefore, classified within Level 1, include active listed equities, certificates of deposit, certain U.S. Government and sovereign obligations, corporate bonds, precious metal commodities and certain money market securities. The Association does not adjust the quoted price for such instruments.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain certificates of deposit, U.S. Government and sovereign obligations, government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

American Library Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2018 and 2017

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include hedge funds, private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities backed by either commercial or residential real estate. When observable prices are not available for these securities, the Association uses one or more valuation techniques.

Short-term investments are available for short-term operations and long-term investments are investments intended to be held more than one year. Investment purchases and sales are recorded as of the trade date.

Deferred Revenue

The carrying amount approximates the fair value and is based upon the publication subscriptions, membership dues, conference fees, and grants and awards received in advance and not yet deemed to be earned by the Association.

The following table summarizes the fair value of assets by level as of August 31:

	2018			Total
	Level 1	Level 2	Level 3	
Assets				
Common stock	\$23,341,411	-	-	\$23,341,411
Certificates of deposit	-	7,000,000	-	7,000,000
U.S. Government securities	833,942	377,553	-	1,211,495
Corporate securities	<u>22,922,925</u>	<u>684,772</u>	-	<u>23,607,697</u>
	<u>47,098,278</u>	<u>8,062,325</u>	-	55,160,603
Assets measured at NAV ^(a)				<u>3,813,234</u>
Total assets at fair value				\$ <u>58,973,837</u>

	2017			Total
	Level 1	Level 2	Level 3	
Assets				
Common stock	\$22,071,882	-	-	\$22,071,882
U.S. Government securities	773,722	547,410	-	1,321,132
Corporate securities	<u>23,773,207</u>	<u>773,202</u>	-	<u>24,546,409</u>
	<u>46,618,811</u>	<u>1,320,612</u>	-	47,939,423
Assets measured at NAV ^(a)				<u>2,903,871</u>
Total assets at fair value				\$ <u>50,843,294</u>

American Library Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018 and 2017

(a) In accordance with subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

For the years ended August 31, 2018 and 2017, there were no significant transfers between Levels 1 and 2 and no transfers in or out of Level 3.

The Association is obligated under certain investment agreements to advance additional funding periodically, up to specified levels. As of August 31, 2018 and 2017, the Association had future unfunded commitments in Level 3 investments of \$781,250 and \$1,707,500, respectively.

The following table summarizes investments measured at fair value based on the NAV per share practical expedient as of August 31, 2018 and 2017.

	2018			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds hedge fund (a)	\$ 684,289	\$ -	Quarterly	Up to 120 days
Hedge fund (b)	1,057,624	-	Quarterly	Up to 120 days
Private equity funds (c,d)	<u>2,071,321</u>	<u>781,250</u>	Quarterly	Up to 120 days
Total investments recorded at NAV	<u>\$3,813,234</u>	<u>\$ 781,250</u>		

	2017			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds hedge fund (a)	\$ 840,405	\$ -	Quarterly	Up to 120 days
Hedge fund (b)	1,026,596	-	Quarterly	Up to 120 days
Private equity fund (c,d)	<u>1,036,870</u>	<u>1,707,500</u>	Quarterly	Up to 120 days
Total investments recorded at NAV	<u>\$2,903,871</u>	<u>\$ 1,707,500</u>		

(a) The objective of this fund is to preserve capital while generating consistent long-term appreciation across all market cycles. The fund of funds hedge fund invests all of its assets in a master fund which provides investors the ability to more easily approximate a multi-manager portfolio, thus providing exposure to a variety of investment styles and philosophies. Requested withdrawals are subject to a 5% hold-back provision until the fund's next audit cycle is completed.

- (b) The objectives of this fund is to generate an attractive level of current income for distribution to stockholders; to preserve and protect stockholders' capital investments; to achieve appreciation of NAV over time; and to enable stockholders to utilize real estate as an asset class in diversified, long-term investment portfolios.
- (c) The objective of one of these funds is to provide enhanced risk-adjusted returns to investors through exposure to a diversified mix of alternative investments. The fund's platform includes complementary asset management businesses - private equity, real assets, credit and hedge fund solutions. Except in limited circumstances, withdrawals from the fund are not permitted.
- (d) The objectives of the other fund within this classification is as follows for private equity and growth equity investments, respectively:
- to seek opportunities to invest substantial capital to acquire a controlling ownership stake in large capitalization companies with strong business franchises, attractive growth prospects, defensible market positions, and the ability to generate attractive returns; and to forge strong partnerships with highly motivated management teams who put their own capital at risk.
 - to invest in secular growth areas in securities with structured downside protection (i.e., liquidation preferences and strong governance and minority rights), and to help entrepreneurs scale their business and assist them with execution while taking on limited fundamental technology risk.

Except in limited circumstances, withdrawals from the fund are not permitted.

NOTE M - ENDOWMENT NET ASSETS

The Association's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Executive Board to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Executive Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Executive Board of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are

appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Association and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Association
7. The investment policies of the Association

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature would be reported in unrestricted net assets. These deficiencies could result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions or continued appropriation for certain programs that may be deemed prudent by the Executive Board. There were no such deficiencies as of August 31, 2018 or 2017.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under these policies, as approved by the Executive Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Effective September 1, 2011, the annual spending formula is based on a range of 3% to 5% of the trailing five-year quarterly (20 quarters) rolling average of each fund's calendar quarterly net asset balance.

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018 and 2017

Endowment net asset composition as of August 31, 2018 and 2017 is as follows:

	2018			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ -	\$ 882,875	\$ 514,700	\$ 1,397,575
Board-designated endowment funds	<u>14,898,944</u>	<u>-</u>	<u>-</u>	<u>14,898,944</u>
Total funds	<u>\$ 14,898,944</u>	<u>\$ 882,875</u>	<u>\$ 514,700</u>	<u>\$ 16,296,519</u>

	2017			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ -	\$ 927,470	\$ 514,700	\$ 1,442,170
Board-designated endowment funds	<u>14,258,787</u>	<u>-</u>	<u>-</u>	<u>14,258,787</u>
Total funds	<u>\$ 14,258,787</u>	<u>\$ 927,470</u>	<u>\$ 514,700</u>	<u>\$ 15,700,957</u>

Changes in endowment net assets for the years ended August 31, 2018 and 2017 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, August 31, 2016	\$ 13,929,709	\$ 962,506	\$ 514,700	\$ 15,406,915
Additions and transfers	5,962	-	-	5,962
Dividends and interest	-	17,677	-	17,677
Net gains (realized and unrealized)	926,667	48,163	-	974,830
Appropriation of endowment assets for expenditures	<u>(603,551)</u>	<u>(100,876)</u>	<u>-</u>	<u>(704,427)</u>
Endowment net assets, August 31, 2017	<u>\$ 14,258,787</u>	<u>\$ 927,470</u>	<u>\$ 514,700</u>	<u>\$ 15,700,957</u>

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 August 31, 2018 and 2017

Additions and transfers	5,393	-	-	5,393
Dividends and interest	-	19,529	-	19,529
Net gains (realized and unrealized)	1,116,618	52,979	-	1,169,597
Appropriation of endowment assets for expenditures	(481,854)	(117,103)	-	(598,957)
Endowment net assets, August 31, 2018	<u>\$ 14,898,944</u>	<u>\$ 882,875</u>	<u>\$ 514,700</u>	<u>\$16,296,519</u>

NOTE N - LINE OF CREDIT

The Association has a \$2,500,000 unsecured line of credit with a bank, which is due on demand. Under the terms of the agreement, interest on amounts borrowed is payable at the bank's prime rate of interest. As of August 31, 2018 and 2017, the outstanding balance on the line of credit was \$-0-.

NOTE O - EMPLOYEE RETIREMENT PLANS

The Association has a defined contribution retirement plan ("Plan") covering all regular full-time employees who have completed two years of service. Contributions to the Plan are used to purchase separate annuity contracts for each participating employee. The Association provides a contribution to all participants equal to 4% of annual base salary. Additional voluntary contributions up to 3% of annual base salary are shared equally by the Association and employees. The cost of this Plan, which is included in payroll expenses, was \$989,269 and \$928,806 in 2018 and 2017, respectively.

The Association offers deferred compensation plans under Internal Revenue Code 457(b) and 457(f) to a select group of management. The Association has recorded an expense related to these deferred compensation plans of \$-0- for the years ended August 31, 2018 and 2017.

NOTE P - COMMITMENTS AND CONTINGENCIES

The Association leases certain office facilities and equipment.

Operating Leases

The future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of August 31, 2018, are as follows:

<u>Years ending</u> <u>August 31,</u>		
2019	\$	101,840
2020		52,783
2021		33,596
2022		31,899
2023		<u>1,669</u>
Total	\$	<u><u>221,787</u></u>

Total rental expense under operating leases was \$127,727 and \$132,037 in 2018 and 2017, respectively.

NOTE Q - LONG-TERM DEBT

On July 2, 2012, the Association obtained an unsecured term loan from a financial institution in the amount of \$10,100,000. This loan was amended on August 3, 2015.

The original loan was to support the acquisition of Neal Schuman Publishers, Inc., to refinance series 2006 Variable Rate Revenue Bonds, refinance a term loan related to the commercial condo office in Connecticut, to fund an interest rate swap termination payment and to fund certain costs of issuance.

The terms of the amended long-term refinancing consist of annual principal payments each August, monthly interest payments calculated at 3%, provided the Association meets required covenants, limitations on additional indebtedness and the maintenance of various financial ratios.

American Library Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2018 and 2017

Maturities of long-term debt are as follows:

<u>Years ending</u> <u>August 31,</u>		
2019	\$	1,100,000
2020		<u>900,000</u>
Total	\$	<u>2,000,000</u>

Interest expense amounted to \$94,233 and \$133,517 in 2018 and 2017, respectively.

NOTE R - TAXES

The Association is a tax-exempt organization under Section 501(c)(3) of the IRC. The ALA/APA is exempt under Section 501(c)(6) of the IRC. These Section 501(c)(3) and Section 501(c)(6) organizations are taxed only on income classified as unrelated business income. The ALA/APA did not have any unrelated business income for the years ended August 31, 2018 and 2017. The Association has income derived from certain advertising activities and fringe benefits that have been determined to be unrelated business income. Unrelated business income is taxed in accordance with federal and state income tax regulations. The provision for unrelated business income taxes was \$27,752 and \$-0- in 2018 and 2017, respectively.

The Edwards Trust is an exempt private foundation under Section 501(c)(3) of the IRC and is taxed on net investment income and undistributed income, as defined by the IRC. Tax returns are filed on a calendar-year basis for the Edwards Trust. The provision for income taxes was \$371 and \$122 for the calendar years 2017 and 2016, respectively.

The tax years ended 2014, 2015 and 2016 are still open to audit for both federal and state purposes.

Based on the evaluation of the Association's tax positions, management believes all positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended August 31, 2018 and 2017.

NOTE 5 - OTHER POST-RETIREMENT EMPLOYEE BENEFITS

The Association maintains a voluntary contributory plan providing post-retirement healthcare and non-contributory post-retirement life insurance. The Association's employees who meet certain age and service requirements at the time of their retirement are eligible to participate. Effective January 1, 2017, two pools of insureds were created within the voluntary contributory plan: one for non-Medicare retirees and one for Medicare-eligible retirees. Non-Medicare retirees can select coverage from one of three medical plans; Medicare-eligible retirees receive coverage under one medical plan; and all participants can select coverage from one of two dental plans. The Association's post-retirement plan is unfunded.

In 2011, the voluntary contribution plan was amended to provide retiree health insurance benefits to employees who reach 62 years of age with 5 years of service. Prior to amendment the voluntary contribution plan allowed coverage to employees who had reached 65 years of age with 5 years of service.

In 2018, the voluntary contribution plan was amended to provide retiree health insurance benefits to employees rendering 5 years of service after reaching the age of 57. Prior to this amendment, benefits were provided to employees who attain age 62 with 5 years of service.

The following table presents the amounts related to the voluntary contribution plan recognized in the Association's consolidated statements of financial position as of August 31:

	<u>2018</u>	<u>2017</u>
Benefit obligation, beginning of year	\$ 12,266,478	\$ 22,829,193
Service cost	769,561	1,295,893
Interest cost	513,466	1,014,129
Curtailments	(5,609,718)	-
Actuarial gain	(287,490)	(12,547,934)
Retiree contributions	183,979	160,193
Medicare Part D subsidy	-	19,368
Benefits paid, net of Medicare Part D subsidy	(<u>530,490</u>)	(<u>504,364</u>)
Benefit obligation, end of year	\$ <u><u>7,305,786</u></u>	\$ <u><u>12,266,478</u></u>

The current portion of the benefit obligation at August 31, 2018 and 2017, is \$355,413 and \$369,863, respectively, and is included in accrued liabilities in the accompanying consolidated statements of financial position.

American Library Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2018 and 2017

The summary of the changes in plan assets as of August 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Plan assets at fair value, beginning of year	\$ -	\$ -
Retiree contributions	183,979	160,193
Medicare Part D subsidy	-	19,368
Employer contributions, net of Medicare Part D subsidy	346,511	324,803
Benefits paid	(530,490)	(504,364)
Plan assets at fair value, end of year	\$ <u>-</u>	\$ <u>-</u>
Funded status at end of year	\$ (<u>7,305,786</u>)	\$ (<u>12,266,478</u>)

The Association anticipates contributions of \$355,413 to plan assets will be made during 2019. Estimated benefit payments are \$355,413 in 2019, \$379,213 in 2020, \$387,651 in 2021, \$425,786 in 2022, \$460,427 in 2023 and \$2,359,618 in 2024 through 2028.

Net periodic benefit cost is comprised of the following:

	<u>2018</u>	<u>2017</u>
Service cost	\$ 769,561	\$ 1,295,893
Interest cost	513,466	1,014,129
Amortization of unrecognized prior service cost	(97,322)	(97,322)
Amortization of unrecognized net gain	(801,691)	-
Curtailments	(5,609,718)	-
Total net periodic benefit cost (recovery)	\$ (<u>5,225,704</u>)	\$ <u>2,212,700</u>

Amounts that have not yet been recognized as a component of net periodic benefit cost consist of the following at August 31:

	<u>2018</u>	<u>2017</u>
Prior service cost	\$ (853,515)	\$ (950,837)
Net gain	(<u>10,773,671</u>)	(<u>11,287,872</u>)
Total included in unrestricted net assets	\$ (<u>11,627,186</u>)	\$ (<u>12,238,709</u>)

American Library Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018 and 2017

Other post-retirement employee benefit-related cost (credit) other than net periodic post-retirement cost recognized in the consolidated statements of operations and changes in net assets are as follows at August 31:

	<u>2018</u>	<u>2017</u>
Net actuarial gain	\$ (287,490)	\$(12,547,934)
Amortization of net gain	801,691	-
Amortization of previously unrecognized prior service cost	<u>97,322</u>	<u>97,322</u>
Total benefit-related cost (credit) other than net periodic benefit cost	\$ <u>611,523</u>	\$(<u>12,450,612</u>)

Assumptions as of August 31, 2018 and 2017 used to determine the benefit obligation are as follows:

	<u>2018</u>	<u>2017</u>
Weighted-average discount rate	4.25%	4.25%

The gross weighted-average annual assumed rate of increase in the per capita cost of covered benefits (healthcare cost trend rate) is 6% for 2018 and is assumed to decrease gradually to 5% for 2024 and remain at that level thereafter. The gross dental trend rate is 5% for 2018 and is assumed to remain at that level thereafter. A 1% increase in the healthcare cost trend rate would increase the benefit obligation by \$877,185 and a 1% decrease would decrease the benefit obligation by \$742,477. Additionally, a 1% increase in the healthcare cost trend rate would increase combined service and interest cost by \$338,911 and a 1% decrease would decrease combined service and interest cost by \$251,920.

NOTE T - FUNCTIONAL EXPENSES

Expenses incurred by the Association were for the following purposes for the years ended August 31:

	<u>2018</u>	<u>2017</u>
Program services	\$ 50,632,470	\$ 47,259,843
General and administrative activities	3,281,035	3,994,751
Fundraising activities	<u>386,514</u>	<u>367,683</u>
	54,300,019	51,622,277
Less post retirement expenses (recovery)	(<u>4,614,181</u>)	(<u>10,237,912</u>)
	\$ <u>49,685,838</u>	\$ <u>41,384,365</u>

NOTE U - SUBSEQUENT EVENTS

The Association evaluated its August 31, 2018 consolidated financial statements for subsequent events through T/B/D, the date the financial statements were issued, and is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.

NOTE V - RECLASSIFICATIONS

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform with the year 2018 presentation.

DRAFT

SUPPLEMENTARY INFORMATION

DRAFT

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

Executive Board
American Library Association
Chicago, Illinois

Our report on our audits of the consolidated financial statements of American Library Association as of August 31, 2018 and 2017 appears on pages 1 and 2. Those audits were made for the purpose of forming an opinion on such consolidated financial statements taken as a whole. The 2018 and 2017 information on pages 33 through 43 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information as of and for the years ended August 31, 2018 and 2017 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Chicago, Illinois
T/B/D

DETAILS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

August 31, 2018 (with comparative totals as of August 31, 2017)

ASSETS	2018										2017 Total
	Operating Fund	Plant Fund	Grants and Awards Fund	Long-Term Investments Fund	Total all funds	ALA/APA	Edwards Trust	Subtotal	Eliminations	Total	
CURRENT ASSETS											
Cash and cash equivalents	\$ 975,568	\$ -	\$ -	\$ -	\$ 975,568	\$ 18,273	\$ -	\$ 993,841	\$ -	\$ 993,841	\$ 1,182,336
Short-term investments	9,344,249	-	-	-	9,344,249	-	-	9,344,249	-	9,344,249	8,177,379
Accounts receivable, less allowance for doubtful accounts and returns of \$614,367 and \$361,730 in 2018 and 2017, respectively	3,377,811	-	-	112,992	3,490,803	-	-	3,490,803	76,412	3,567,215	3,683,835
Inventories, less reserves of \$341,440 and \$233,051 in 2018 and 2017, respectively	1,550,443	-	-	-	1,550,443	924	-	1,551,367	-	1,551,367	1,718,186
Grants receivable	-	-	455,353	-	455,353	-	-	455,353	-	455,353	237,809
Prepaid expenses and other assets	533,926	-	-	-	533,926	-	-	533,926	-	533,926	1,069,519
Total current assets	15,781,997	-	455,353	112,992	16,350,342	19,197	-	16,369,539	76,412	16,445,951	16,069,064
INTEREST RECEIVABLE	42,064	-	-	-	42,064	-	-	42,064	-	42,064	-
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	-	9,287,102	-	2,068,457	11,355,559	-	-	11,355,559	-	11,355,559	10,855,967
GOODWILL	1,000,000	-	-	-	1,000,000	-	-	1,000,000	-	1,000,000	1,000,000
INTANGIBLE ASSETS, LESS AMORTIZATION	685,284	-	-	-	685,284	-	-	685,284	-	685,284	1,045,450
LONG-TERM INVESTMENTS	6,000,000	-	-	46,327,558	52,327,558	-	1,033,060	53,360,618	-	53,360,618	43,542,959
LOAN RECEIVABLE	41,457	-	-	-	41,457	-	-	41,457	(41,457)	-	-
DUE (TO) FROM OTHER FUNDS	(5,745,146)	(7,285,300)	13,922,228	(892,466)	(684)	77,096	-	76,412	(76,412)	-	-
TOTAL ASSETS	<u>\$ 17,805,656</u>	<u>\$ 2,001,802</u>	<u>\$ 14,377,581</u>	<u>\$ 47,616,541</u>	<u>\$ 81,801,580</u>	<u>\$ 96,293</u>	<u>\$ 1,033,060</u>	<u>\$ 82,930,933</u>	<u>\$ (41,457)</u>	<u>\$ 82,889,476</u>	<u>\$ 72,513,440</u>

See independent auditor's report on supplementary information.

DETAILS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

August 31, 2018 (with comparative totals as of August 31, 2017)

LIABILITIES AND NET ASSETS	2018										2017 Total
	Operating Fund	Plant Fund	Grants and Awards Fund	Long-Term Investments Fund	Total all funds	ALA/APA	Edwards Trust	Subtotal	Eliminations	Total	
CURRENT LIABILITIES											
Accounts payable	\$ 2,857,174	\$ -	\$ -	\$ -	\$ 2,857,174	\$ -	\$ -	\$ 2,857,174	\$ -	\$ 2,857,174	\$ 3,191,359
Accrued liabilities	947,291	1,802	-	-	949,093	-	-	949,093	-	949,093	919,802
Deferred revenue											
Publication subscriptions	2,266,393	-	-	-	2,266,393	258	-	2,266,651	-	2,266,651	2,236,491
Membership dues	3,944,041	-	-	-	3,944,041	-	-	3,944,041	-	3,944,041	3,947,673
Conference fees	3,092,882	-	-	-	3,092,882	-	-	3,092,882	-	3,092,882	3,438,861
Grants and awards	-	-	3,419,998	-	3,419,998	-	-	3,419,998	-	3,419,998	3,791,312
Current portion of long-term debt	-	1,100,000	-	-	1,100,000	-	-	1,100,000	-	1,100,000	1,200,000
Total current liabilities	13,107,781	1,101,802	3,419,998	-	17,629,581	258	-	17,629,839	-	17,629,839	18,725,498
DEFERRED GRANTS AND AWARDS	-	-	10,283,127	-	10,283,127	-	-	10,283,127	-	10,283,127	-
LONG-TERM DEBT, NET OF CURRENT PORTION	-	900,000	-	-	900,000	-	-	900,000	-	900,000	2,000,000
NON-CURRENT PORTION OF ACCRUED POST-RETIREMENT BENEFITS	6,950,373	-	-	-	6,950,373	41,457	-	6,991,830	(41,457)	6,950,373	11,896,615
Total liabilities	20,058,154	2,001,802	13,703,125	-	35,763,081	41,715	-	35,804,796	(41,457)	35,763,339	32,622,113
NET ASSETS (DEFICIT)											
Unrestricted	(2,252,498)	-	-	44,183,968	41,931,470	54,578	311,111	42,297,159	-	42,297,159	34,994,051
Temporarily restricted	-	-	674,456	2,917,873	3,592,329	-	721,949	4,314,278	-	4,314,278	4,382,576
Permanently restricted	-	-	-	514,700	514,700	-	-	514,700	-	514,700	514,700
Total net assets (deficit)	(2,252,498)	-	674,456	47,616,541	46,038,499	54,578	1,033,060	47,126,137	-	47,126,137	39,891,327
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,805,656</u>	<u>\$ 2,001,802</u>	<u>\$ 14,377,581</u>	<u>\$ 47,616,541</u>	<u>\$ 81,801,580</u>	<u>\$ 96,293</u>	<u>\$ 1,033,060</u>	<u>\$ 82,930,933</u>	<u>\$ (41,457)</u>	<u>\$ 82,889,476</u>	<u>\$ 72,513,440</u>

See independent auditor's report on supplementary information.

	2018																		
	Unrestricted										Temporarily restricted			Permanently restricted		2017 Total			
	American Library Association										American Library Association Long-Term Investments Fund/ Grants and Awards Fund	Edwards Trust	Total temporarily restricted	American Library Association Long-Term Investments Fund	Total				
	Operating Fund																		
General activities	Divisional activities	Round table activities	Post-retirement benefit activities	Technology Reserve Fund	Total Operating Fund	Plant Fund	Grants and Awards Fund	Long-Term Investments Fund	Total all funds	ALA/APA							Edwards Trust	Total unrestricted	
Revenues and other support																			
Operating revenues																			
Membership dues	\$ 5,455,785	\$ 2,649,151	\$ 188,530	\$ -	\$ -	\$ 8,293,466	\$ -	\$ -	\$ -	\$ 8,293,466	\$ -	\$ -	\$ 8,293,466	\$ -	\$ -	\$ -	\$ -	\$ 8,293,466	\$ 8,115,536
Sales of books and materials	5,441,803	2,198,576	256,054	-	-	7,896,433	-	-	11,760	7,908,193	3,449	-	7,911,642	-	-	-	-	7,911,642	6,342,871
Subscriptions	2,738,358	1,575,644	3,098	-	-	4,317,100	-	-	-	4,317,100	84,961	-	4,402,061	-	-	-	-	4,402,061	4,516,120
Advertising	4,410,464	1,180,328	4,055	-	-	5,594,847	-	-	-	5,594,847	-	-	5,594,847	-	-	-	-	5,594,847	5,903,057
Meetings and conferences	7,622,706	5,458,388	51,135	-	-	13,132,229	-	-	5,742	13,137,971	9,015	-	13,146,986	-	-	-	-	13,146,986	11,695,804
Grants and awards	-	-	-	-	-	-	-	-	-	6,433,293	-	-	6,433,293	537,216	-	537,216	-	6,970,509	6,319,708
Contributions	555,570	743,333	22,246	-	-	1,321,149	-	-	-	1,321,149	1,970	-	1,323,119	387,582	-	387,582	-	1,710,701	1,393,361
Dividends and interest income																			
Short-term investments	1,110,410	-	65	-	-	1,110,475	-	-	-	1,110,475	-	-	1,110,475	-	-	-	-	1,110,475	1,333,533
Long-term investments	-	-	-	-	-	-	-	-	419,080	419,080	-	31,886	450,966	19,529	-	19,529	-	470,495	326,326
Other	1,209,348	2,477,243	32,815	-	-	3,719,406	-	-	36	3,719,442	54,034	-	3,773,476	5,312	-	5,312	-	3,778,788	3,054,720
Total operating revenues	28,544,444	16,282,663	557,998	-	-	45,385,105	-	6,433,293	436,618	52,255,016	153,429	31,886	52,440,331	949,639	-	949,639	-	53,389,970	49,001,036
Net assets released from restrictions																			
Satisfaction of program restrictions	-	-	-	-	-	-	-	596,238	421,448	1,017,686	-	53,230	1,070,916	(1,017,686)	(53,230)	(1,070,916)	-	-	-
Total revenues and other support	28,544,444	16,282,663	557,998	-	-	45,385,105	-	7,029,531	858,066	53,272,702	153,429	85,116	53,511,247	(68,047)	(53,230)	(121,277)	-	53,389,970	49,001,036
Expenses (recovery)																			
Payroll	14,951,515	6,479,093	2,056	-	-	21,432,664	-	1,757,210	76,866	23,266,740	38,354	-	23,305,094	-	-	-	-	23,305,094	23,058,262
Outside services	4,508,319	1,387,989	5,319	-	-	5,901,627	115,966	1,676,733	311,534	8,005,860	9,235	6,686	8,021,781	-	-	-	-	8,021,781	8,427,506
Travel	1,134,766	1,087,926	4,819	-	-	2,227,511	-	605,165	89,006	2,921,682	756	-	2,922,438	-	-	-	-	2,922,438	2,171,550
Meetings and conferences	4,188,459	2,680,635	120,228	-	-	6,989,322	-	1,765,831	32,973	8,788,126	1,825	-	8,789,951	-	-	-	-	8,789,951	7,409,712
Scholarships and awards	-	-	-	-	-	-	-	-	418,431	418,431	-	-	418,431	-	-	-	-	418,431	421,140
Publications	2,812,865	1,148,190	68,350	-	-	4,029,405	-	55,817	4,563	4,089,785	949	-	4,090,734	-	-	-	-	4,090,734	3,642,228
Administration	4,634,215	1,036,944	(2,726)	-	-	5,668,433	503,957	495,744	39,124	6,707,258	38,886	5,446	6,751,590	-	-	-	-	6,751,590	6,491,879
Post-retirement benefits	-	-	-	(5,225,704)	-	(5,225,704)	-	-	-	(5,225,704)	-	-	(5,225,704)	-	-	-	-	(5,225,704)	2,212,700
Inter-fund transfers	677,612	(412,140)	7,389	-	25,380	298,241	(619,923)	96,473	184,111	(41,098)	-	41,098	-	-	-	-	-	-	-
Total expenses (recovery) before overhead allocation	32,907,751	13,408,637	205,435	(5,225,704)	25,380	41,321,499	-	6,452,973	1,156,608	48,931,080	90,005	53,230	49,074,315	-	-	-	-	49,074,315	53,834,977
Overhead allocation	(2,748,577)	2,153,166	18,853	-	-	(576,558)	-	576,558	-	-	-	-	-	-	-	-	-	-	-
Total expenses (recovery)	30,159,174	15,561,803	224,288	(5,225,704)	25,380	40,744,941	-	7,029,531	1,156,608	48,931,080	90,005	53,230	49,074,315	-	-	-	-	49,074,315	53,834,977
Other post-retirement employee benefit-related credit (cost) other than net periodic post-retirement cost	-	-	-	(611,523)	-	(611,523)	-	-	-	(611,523)	-	-	(611,523)	-	-	-	-	(611,523)	12,450,612
Excess (deficiency) of operating revenues and other support over operating expenses	(1,614,730)	720,860	333,710	4,614,181	(25,380)	4,028,641	-	-	(298,542)	3,730,099	63,424	31,886	3,825,409	(68,047)	(53,230)	(121,277)	-	3,704,132	7,616,671
Non-operating																			
Net realized and change in unrealized gains (losses)																			
Short-term investments	(100,695)	-	-	-	-	(100,695)	-	-	-	(100,695)	-	-	(100,695)	-	-	-	-	(100,695)	(248,569)
Long-term investments	-	-	-	-	-	-	-	-	3,493,623	3,493,623	-	89,680	3,583,303	52,979	-	52,979	-	3,636,282	2,985,874
Change in investment in publishing venture	(4,909)	-	-	-	-	(4,909)	-	-	-	(4,909)	-	-	(4,909)	-	-	-	-	(4,909)	(19,747)
Impairment loss - goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(826,567)
CHANGE IN NET ASSETS BEFORE INTER-FUND TRANSFERS	(1,720,334)	720,860	333,710	4,614,181	(25,380)	3,923,037	-	-	3,195,081	7,118,118	63,424	121,566	7,303,108	(15,068)	(53,230)	(68,298)	-	7,234,810	9,507,662
Inter-fund transfers	-	(150,000)	(115,000)	-	-	(265,000)	-	-	265,000	-	-	-	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	(1,720,334)	570,860	218,710	4,614,181	(25,380)	3,658,037	-	-	3,460,081	7,118,118	63,424	121,566	7,303,108	(15,068)	(53,230)	(68,298)	-	7,234,810	9,507,662
Net assets (deficit), beginning of year	(3,927,464)	14,280,932	1,915,418	(17,279,259)	(900,162)	(5,910,535)	-	-	40,723,887	34,813,352	(8,846)	189,545	34,994,051	3,607,397	775,179	4,382,576	514,700	39,891,327	30,383,665
Net assets (deficit), end of year	\$ (5,647,798)	\$ 14,851,792	\$ 2,134,128	\$ (12,665,078)	\$ (925,542)	\$ (2,252,498)	\$ -	\$ -	\$ 44,183,968	\$ 41,931,470	\$ 54,578	\$ 311,111	\$ 42,297,159	\$ 3,592,329	\$ 721,949	\$ 4,314,278	\$ 514,700	\$ 47,126,137	\$ 39,891,327

See independent auditor's report on supplementary information.

DETAILS OF LONG-TERM INVESTMENTS FUND

Year ended August 31, 2018 (with comparative totals for the year ended August 31, 2017)

	2018															2017 Total
	Unrestricted									Temporarily restricted						
	Life Member Fund	Future Fund	Carnegie Fund	Spectrum Family of Funds	Scholarships	Awards	Divisions	Huron Plaza	Edwards Trust	Total unrestricted	Long-Term Investments Fund	Edwards Trust	Total temporarily restricted	Permanently restricted	Total	
Additions (transfers)																
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 387,582	\$ -	\$ 387,582	\$ -	\$ 387,582	
Dividends and interest income (transfers)	49,100	(433,420)	47,898	206,699	82,442	228,138	238,223	-	31,886	450,966	19,529	-	19,529	-	470,495	
Other	-	-	-	-	-	17,665	-	-	-	17,665	5,312	-	5,312	-	22,977	
Total additions (transfers)	49,100	(433,420)	47,898	206,699	82,442	245,803	238,223	-	31,886	468,631	412,423	-	412,423	-	881,054	
Net assets released from restrictions																
Satisfaction of program restrictions	-	5,393	58,701	109,134	40,511	202,009	5,700	-	53,230	474,678	(421,448)	(53,230)	(474,678)	-	-	
Total operating	49,100	(428,027)	106,599	315,833	122,953	447,812	243,923	-	85,116	943,309	(9,025)	(53,230)	(62,255)	-	881,054	
Deductions (recovery)																
Payroll	-	-	-	43,150	-	33,716	-	-	-	76,866	-	-	-	-	76,866	
Outside services	10,287	84,389	11,085	70,534	17,941	66,779	50,519	-	6,686	318,220	-	-	-	-	318,220	
Travel and related expenses	-	-	-	83,122	1,262	4,622	-	-	-	89,006	-	-	-	-	89,006	
Meetings and conferences	-	-	-	8,999	-	23,974	-	-	-	32,973	-	-	-	-	32,973	
Scholarships and awards	-	-	47,616	291,160	39,250	40,405	-	-	-	418,431	-	-	-	-	418,431	
Publications	-	-	-	-	-	4,563	-	-	-	4,563	-	-	-	-	4,563	
Administration expenses	78,120	(35,955)	-	(9,000)	(5,359)	11,318	-	-	5,446	44,570	-	-	-	-	44,570	
Inter-fund transfers	-	-	-	13	-	47,481	136,617	-	41,098	225,209	-	-	-	-	225,209	
Total deductions	88,407	48,434	58,701	487,978	53,094	232,858	187,136	-	53,230	1,209,838	-	-	-	-	1,209,838	
Excess (deficit)	(39,307)	(476,461)	47,898	(172,145)	69,859	214,954	56,787	-	31,886	(266,529)	(9,025)	(53,230)	(62,255)	-	(328,784)	
Non-operating																
Net realized gains (losses)	60,437	489,600	56,809	254,489	101,069	275,903	294,372	-	39,260	1,571,939	33,130	-	33,130	-	1,605,069	
Change in unrealized gains	77,901	627,018	77,356	327,047	128,433	360,991	362,198	-	50,420	2,011,364	19,849	-	19,849	-	2,031,213	
Total non-operating	138,338	1,116,618	134,165	581,536	229,502	636,894	656,570	-	89,680	3,583,303	52,979	-	52,979	-	3,636,282	
CHANGE IN NET ASSETS BEFORE INTER-FUND TRANSFERS	99,031	640,157	182,063	409,391	299,361	851,848	713,357	-	121,566	3,316,774	43,954	(53,230)	(9,276)	-	3,307,498	
Inter-fund transfers	-	-	-	-	-	115,000	150,000	-	-	265,000	-	-	-	-	265,000	
CHANGE IN NET ASSETS	99,031	640,157	182,063	409,391	299,361	966,848	863,357	-	121,566	3,581,774	43,954	(53,230)	(9,276)	-	3,572,498	
Net assets, beginning of year	1,588,988	12,894,946	854,938	6,357,582	2,509,522	6,237,022	8,212,663	2,068,457	189,545	40,913,663	2,873,935	775,179	3,649,114	514,700	45,077,477	
Net assets, end of year	\$ 1,688,019	\$ 13,535,103	\$ 1,037,001	\$ 6,766,973	\$ 2,808,883	\$ 7,203,870	\$ 9,076,020	\$ 2,068,457	\$ 311,111	\$ 44,495,437	\$ 2,917,889	\$ 721,949	\$ 3,639,838	\$ 514,700	\$ 48,649,975	

See independent auditor's report on supplementary information.

American Library Association
SCHEDULES OF GENERAL ACTIVITIES EXPENSES
 Years ended August 31,

Exhibit IV

	2018	2017
Publishing department activities	\$ 12,473,707	\$ 10,906,143
Conference activities	8,676,121	8,652,273
Advocacy and member relations		
Library and research center	332,454	396,839
Office for research and evaluation	155,565	212,127
Public awareness office	412,059	461,691
Chapter relations	140,628	149,538
Public programs	170,104	194,326
Office for library advocacy	322,923	297,330
Membership services	746,850	744,816
International relations	245,665	230,906
AED - Advocacy and member relations	217,195	259,872
Total advocacy and member relations	<u>2,743,443</u>	<u>2,947,445</u>
Executive office and governance		
Executive Board and Committees	366,688	433,268
Executive office	1,064,764	1,068,912
Development office	386,514	367,683
Total executive office and governance	<u>1,817,966</u>	<u>1,869,863</u>
Member programs and services		
Washington office and Public Policy and Advocacy and Office of Government Relations	2,129,860	2,163,986
Office for Intellectual Freedom	590,214	606,883
Office for Human Resource Development and Recruitment	356,363	369,060
Office for Accreditation	279,215	267,730
Senior AED - member programs and services	229,042	279,212
Awards program	8,064	6,221
Office for Diversity, Literacy and Outreach Services	432,865	446,244
Total member programs and services	<u>4,025,623</u>	<u>4,139,336</u>
Administration		
Business expense	962,469	1,100,305
Administrative services	134,999	178,707
Finance and accounting	1,650,284	1,610,503
Human resources	866,507	846,852
Information technology and telecommunication services	3,243,369	2,895,515
Subscription equivalent - American Libraries	353,016	387,220
Plant Fund transfer	1,444,944	1,399,310
Distribution center and reprographics	93,444	70,788
Total administration before overhead allocation	<u>8,749,032</u>	<u>8,489,200</u>
Total general activities expenses before allocation to other activities	38,485,892	37,004,260
Less Technology Reserve Fund expenses	(25,380)	(167,806)
Overhead recovery	<u>(8,301,338)</u>	<u>(7,473,001)</u>
Net general activities expenses	<u>\$ 30,159,174</u>	<u>\$ 29,363,453</u>

See independent auditor's report on supplementary information.

PUBLISHING ACTIVITIES - COMBINING SCHEDULE OF UNRESTRICTED REVENUES AND EXPENSES

Year ended August 31, 2018 (with comparative totals for the year ended August 31, 2017)

	2018							2017 Total	
	ALA Editions	Booklist	American Libraries	Digital Reference	eLearning	Products and Promotions	Pub. AED/ other		Total
Unrestricted operating revenues and other support									
Sales of books and materials	\$ 3,921,010	\$ 62,873	\$ 530	\$ 3,093	\$ 527,929	\$ 697,803	\$ -	\$ 5,213,238	\$ 3,971,791
Subscriptions	-	1,372,999	64,239	1,116,663	176,080	-	-	2,729,981	2,820,279
Advertising	69,670	2,418,550	781,089	14,733	13,100	-	-	3,297,142	3,266,955
Other	10,339	850,107	40,283	30	3,752	8,142	-	912,653	966,942
Total unrestricted operating revenues and other support	4,001,019	4,704,529	886,141	1,134,519	720,861	705,945	-	12,153,014	11,025,967
Operating expenses									
Payroll	1,196,466	1,548,577	610,244	223,078	216,840	166,528	649,373	4,611,106	4,448,381
Outside services	38,411	113,291	33,458	12,255	31,548	2,611	63,960	295,534	354,055
Travel	45,547	49,318	22,405	6,726	5,147	5,667	5,276	140,086	85,330
Meetings and conferences	30,332	50,509	-	4,927	-	9,864	1,068	96,700	36,953
Publications	1,066,523	476,482	155,006	100,165	82,873	303,495	62,248	2,246,792	1,893,124
Administration (recovery)	1,038,147	253,026	144,563	484,655	108,578	78,584	(40,837)	2,066,716	1,916,364
Inter-unit transfers	542,555	129,878	(313,476)	35,799	52,609	39,221	(678,208)	(191,622)	(737,364)
Total operating expenses before overhead allocation	3,957,981	2,621,081	652,200	867,605	497,595	605,970	62,880	9,265,312	7,996,843
Overhead allocation	1,056,269	1,241,995	233,941	299,513	190,307	186,370	-	3,208,395	2,909,300
Total operating expenses	5,014,250	3,863,076	886,141	1,167,118	687,902	792,340	62,880	12,473,707	10,906,143
Excess (deficiency) of unrestricted operating revenues and other support over operating expenses	(1,013,231)	841,453	-	(32,599)	32,959	(86,395)	(62,880)	(320,693)	119,824
Non-operating									
Impairment loss - goodwill	-	-	-	-	-	-	-	-	(826,567)
CHANGE IN NET ASSETS	\$ (1,013,231)	\$ 841,453	\$ -	\$ (32,599)	\$ 32,959	\$ (86,395)	\$ (62,880)	\$ (320,693)	\$ (706,743)

See independent auditor's report on supplementary information.

DIVISIONAL ACTIVITIES - COMBINING SCHEDULE OF UNRESTRICTED REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended August 31, 2018 (with comparative totals for the year ended August 31, 2017)

	2018											2017 Total	
	PLA	ACRL and CHOICE	AASL	ASGCLA	ALCTS	LLAMA	RUSA	UFL	LITA	ALSC	YALSA		Total
Unrestricted revenues and other support													
Membership dues	\$ 597,655	\$ 609,906	\$ 288,854	\$ 42,022	\$ 194,882	\$ 169,950	\$ 163,395	\$ 55,644	\$ 134,588	\$ 173,019	\$ 219,236	\$ 2,649,151	\$ 2,583,294
Sales of books and materials	67,964	789,908	31,408	17,103	3,999	72,296	82,680	58,359	-	828,013	246,846	2,198,576	1,919,359
Subscriptions	37,154	1,405,812	6,617	-	18,863	-	135	88,557	-	8,423	10,083	1,575,644	1,608,156
Advertising	49,049	1,046,244	24,355	-	1,650	-	1,000	2,189	20,871	19,316	15,654	1,180,328	1,447,337
Meetings and conferences	3,270,059	390,047	1,078,196	5,823	263,100	22,805	6,700	24,535	153,057	111,056	133,010	5,458,388	3,621,442
Contributions	144,686	147,600	168,145	3,220	65,970	13,000	40,515	121,206	18,441	7,500	13,050	743,333	942,163
Other	282,951	1,114,949	54,879	758	6,201	1,225	11,835	5,231	8,783	939,537	50,894	2,477,243	1,684,223
Total unrestricted revenues and other support	<u>4,449,518</u>	<u>5,504,466</u>	<u>1,652,454</u>	<u>68,926</u>	<u>554,665</u>	<u>279,276</u>	<u>306,260</u>	<u>355,721</u>	<u>335,740</u>	<u>2,086,864</u>	<u>688,773</u>	<u>16,282,663</u>	<u>13,805,974</u>
Expenses (recovery)													
Payroll	655,001	3,186,598	544,332	51,707	279,093	201,997	209,534	216,019	194,375	590,343	350,094	6,479,093	6,197,168
Outside services	459,637	441,120	267,678	1,106	12,229	9,742	13,559	26,814	8,033	44,029	104,042	1,387,989	1,408,752
Travel	668,498	193,559	109,446	3,507	9,131	2,958	4,324	22,941	3,611	43,772	26,179	1,087,926	489,602
Meetings and conferences	931,883	741,453	458,401	15,544	85,583	25,003	78,919	27,962	114,097	144,891	56,899	2,680,635	2,305,391
Publications	119,241	605,029	172,905	1,666	18,009	253	9,904	47,254	4,982	69,733	99,214	1,148,190	1,042,453
Administration	(47,841)	591,747	118,495	3,206	2,853	6,804	43,415	8,870	(19)	290,016	19,398	1,036,944	1,025,164
Inter-fund transfers	(8,703)	28,908	(444,816)	(40,539)	31,028	4,995	35,736	(11,813)	1,538	36,743	(45,217)	(412,140)	145,943
Total expenses before overhead allocation	<u>2,777,716</u>	<u>5,788,414</u>	<u>1,226,441</u>	<u>36,197</u>	<u>437,926</u>	<u>251,752</u>	<u>395,391</u>	<u>338,047</u>	<u>326,617</u>	<u>1,219,527</u>	<u>610,609</u>	<u>13,408,637</u>	<u>12,614,473</u>
Overhead allocation	859,257	580,739	303,308	3,795	40,376	15,564	11,157	7,925	35,885	233,914	61,246	2,153,166	1,601,847
Total expenses	<u>3,636,973</u>	<u>6,369,153</u>	<u>1,529,749</u>	<u>39,992</u>	<u>478,302</u>	<u>267,316</u>	<u>406,548</u>	<u>345,972</u>	<u>362,502</u>	<u>1,453,441</u>	<u>671,855</u>	<u>15,561,803</u>	<u>14,216,320</u>
Excess (deficiency) of unrestricted revenues and other support over expenses before inter-fund transfers	812,545	(864,687)	122,705	28,934	76,363	11,960	(100,288)	9,749	(26,762)	633,423	16,918	720,860	(410,346)
Inter-fund transfers	-	-	-	-	-	-	-	-	-	(150,000)	-	(150,000)	(412,000)
Excess (deficiency) of unrestricted revenues and other support over expenses	812,545	(864,687)	122,705	28,934	76,363	11,960	(100,288)	9,749	(26,762)	483,423	16,918	570,860	(822,346)
Net assets (deficit), beginning of year	3,053,877	7,221,234	163,043	130,535	302,798	204,430	289,192	(190,989)	398,590	2,592,077	116,145	14,280,932	15,103,278
Net assets (deficit), end of year	<u>\$ 3,866,422</u>	<u>\$ 6,356,547</u>	<u>\$ 285,748</u>	<u>\$ 159,469</u>	<u>\$ 379,161</u>	<u>\$ 216,390</u>	<u>\$ 188,904</u>	<u>\$ (181,240)</u>	<u>\$ 371,828</u>	<u>\$ 3,075,500</u>	<u>\$ 133,063</u>	<u>\$ 14,851,792</u>	<u>\$ 14,280,932</u>

See independent auditor's report on supplementary information.

American Library Association
**CONSOLIDATED STATEMENTS OF OPERATIONS AND
 CHANGES IN NET ASSETS BY PROGRAM ACTIVITY**
 Years ended August 31,

Exhibit VII

	2018	2017
Revenue		
Membership dues	\$ 8,293,466	\$ 8,115,536
Program activities		
Publishing	18,520,410	16,540,028
Meetings and conferences	15,658,770	14,382,047
Products and promotions	705,945	697,649
Grants and awards	6,970,509	6,319,708
Long-term investments	410,559	261,807
Total program activities	50,559,659	46,316,775
Other		
Interest and dividends	1,580,970	1,659,859
Miscellaneous	1,249,341	1,024,402
Total revenue	53,389,970	49,001,036
Expenses		
Program activities		
Publishing	15,990,787	14,848,457
Meetings and conferences	14,286,078	13,198,004
Products and promotions	792,340	767,301
Grants and awards	7,029,531	6,245,229
Office activities	4,819,003	5,018,284
Membership activities	6,504,893	5,926,591
Long-term investments	1,209,838	1,255,977
Total program activities	50,632,470	47,259,843
General and administrative activities		
Administration	3,667,549	4,362,434
Post-retirement benefits (credits)	(4,614,181)	(10,237,912)
Total expenses	49,685,838	41,384,365
Operating revenues	3,704,132	7,616,671
Non-operating		
Net realized and unrealized gains on investments	3,535,587	2,737,305
Impairment loss - goodwill	-	(826,567)
Change in investment in publishing venture	(4,909)	(19,747)
CHANGE IN NET ASSETS	7,234,810	9,507,662
Net assets, beginning of year	39,891,327	30,383,665
Net assets, end of year	<u>\$ 47,126,137</u>	<u>\$ 39,891,327</u>

See independent auditor's report on supplementary information.

ALA Allied Professional Association, Inc.
STATEMENTS OF FINANCIAL POSITION
 August 31,

Exhibit VIII

ASSETS	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 18,273	\$ 3,675
Inventories	924	924
Due from General Fund	<u>77,096</u>	<u>91,826</u>
TOTAL ASSETS	<u>\$ 96,293</u>	<u>\$ 96,425</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
LIABILITIES		
Deferred subscription revenue	\$ 258	\$ 271
Start-up advance	<u>41,457</u>	<u>105,000</u>
Total liabilities	41,715	105,271
NET ASSETS (DEFICIT)		
Unrestricted net assets (deficit)	<u>54,578</u>	<u>(8,846)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 96,293</u>	<u>\$ 96,425</u>

See independent auditor's report on supplementary information.

ALA Allied Professional Association, Inc.
**STATEMENTS OF OPERATIONS AND
 CHANGES IN NET ASSETS (DEFICIT)**
 Years ended August 31,

Exhibit VIII - Continued

	2018	2017
Revenues and other support		
Operating revenues and other support		
Sales of books and materials	\$ 3,449	\$ 8
Continuing education	54,000	54,000
Subscriptions	84,961	76,029
Meetings and conferences	9,015	17,785
Contributions	1,970	1,827
Other	34	692
	<u>153,429</u>	<u>150,341</u>
Total revenues and other support		
Expenses		
Payroll and related expenses	38,354	48,951
Outside services	9,235	13,615
Travel and related expenses	756	996
Meetings and conferences	1,825	485
Publications	949	1,747
Administration	38,886	39,360
	<u>90,005</u>	<u>105,154</u>
Total expenses		
	<u>63,424</u>	<u>45,187</u>
CHANGE IN NET ASSETS		
Net deficit, beginning of year	<u>(8,846)</u>	<u>(54,033)</u>
Net assets (deficit), end of year	<u>\$ 54,578</u>	<u>\$ (8,846)</u>

See independent auditor's report on supplementary information.

ALA Allied Professional Association, Inc.
STATEMENTS OF CASH FLOWS
 Years ended August 31,

Exhibit VIII - Continued

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 63,424	\$ 45,187
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Changes in operating assets and liabilities		
Due from General Fund	14,730	(50,000)
Deferred revenue	(13)	-
	<u>78,141</u>	<u>(4,813)</u>
Net cash provided by (used in) operating activities	78,141	(4,813)
Cash flows used in financing activities		
Loan payments to the Association	<u>(63,543)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	14,598	(4,813)
Cash and cash equivalents, beginning of year	<u>3,675</u>	<u>8,488</u>
Cash and cash equivalents, end of year	<u>\$ 18,273</u>	<u>\$ 3,675</u>

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