

TO: ALA Executive Board

DATE: April 10, 2014

RE: Controller's Report

**ACTION REQUESTED/INFORMATION REPORT:**

Presented for information

**CONTACT PERSON:**

Joanne Lee, Controller, 312-280-4254

**BACKGROUND:**

The Controller submits a quarterly information report to the Executive Board on the following:

Total ALA Financial Position  
Cash Management  
Endowment  
Deferred Revenue  
Long-Term Debt (Chase)  
Trade Accounts Receivable  
Inventory  
Intangible Assets and Goodwill  
Liquidity Ratio  
Grant Indirect Cost Rate

## Total ALA Financial Position

	February 28, 2014	February 28, 2013	Change
<b>TOTAL ALA</b>			
Total Assets	\$81,384,847	\$78,420,947	\$2,963,900
Total Liabilities	\$47,347,750	\$48,621,128	(\$1,273,378)
Net Assets	\$34,037,098	\$29,799,819	\$4,237,279

The increase in total assets at February 28, 2014 compared to February 28, 2013 is due to higher value of the Long-Term Investment and greater cash on hand due to two division conferences held in FY 2014. This is offset by the impairment of goodwill and intangible assets, decrease in Grants receivable, and capital lease reclassification. The decrease in total liabilities is mainly due to lower trade accounts payable and decrease in the long-term debt, offset by the increase in deferred grants revenue and conference revenue.

	February 28, 2014	YTD Budget	Variance	February 28, 2013
<b>TOTAL ALA</b>				
Total Revenue	\$21,969,711	\$23,746,022	(\$1,776,311)	\$21,322,382
Total Expenses	\$21,936,786	\$25,524,112	\$3,587,326	\$23,126,422
Net Revenue from Operations	\$32,925	(\$1,778,090)	\$1,811,015	(\$1,804,040)

The General Fund revenue is \$1,050,051 under budget, Division revenue is \$302,001 under budget due to lower book sales and conference revenue, Grants revenue is \$503,487 lower than budget.

The General Fund expenses is \$937,449 lower than budget, Division expenses is \$1,718,908 lower than budget due to lower payroll related expenses and timing of conference expenses paid compared to budgeted expenses, and publishing related expenses. Grants expenses is \$503,487 lower than budget.

	February 28, 2014	YTD Budget	Variance	February 28, 2013
<b>GENERAL FUND</b>				
Total Revenue	\$12,579,940	\$13,629,991	(\$1,050,051)	\$12,262,160
Total Expenses	\$13,166,006	\$14,103,455	\$937,449	\$13,660,023
Net Revenue from Operations	(\$586,066)	(\$473,464)	(\$112,602)	(\$1,397,863)

The variance in the total revenue is due to lower publishing, dues revenue, and MW14 exhibit revenue. The variance in the total expenses is due to lower professional fees, depreciation expense, postage, and publication related expenses.

## Cash Management

	February 28, 2014	February 28, 2013	Change
Total Cash	\$6,079,575	\$3,502,527	\$2,577,048
Bond Fund (schedule 1)	\$13,422,124	\$13,970,480	(\$548,356)
Total Cash and S-T investment	\$19,501,699	\$17,473,007	\$2,028,692

The increase in cash is due to the two division conferences in FY14, RDA subscription revenue, and higher deferred Grant revenue. The Association had a \$1,000,000 draw from the Bond fund in August 2013, and \$500,000 repayment was made on October 10, 2013. The Endowment settlement at February 2014 has been made in April for \$174,984 to help repay the outstanding balance of \$500,000. The Association is evaluating its operating cash needs to determine the timing of the repayment.

## Bond Fund Activities

Interest income since December 1991	\$9,877,385	(schedule 1)
Net realized/unrealized gain(loss) since December 1991	\$154,251	(schedule 2)
Year-to-date net realized/unrealized gain(loss)	\$139,709	(schedule 2)

## Line of Credit

The Association maintains a \$2,500,000 line of credit with JP Morgan Chase. There was no outstanding loan as of February 28, 2014

## Endowment

(Schedule 3)	February 28, 2014	February 28, 2013	Change
Investment Balance	\$37,615,440	\$33,825,255	\$3,790,185
YTD Realized/Unrealized Gain/Loss	\$3,137,309	\$1,217,090	\$1,920,219
YTD Interest/Dividend	\$859,586	\$620,042	\$239,544

The year-to-date Long-Term Investment realized and unrealized gain of \$3,137,309 is composed of \$653,342 of realized gain and \$2,484,567 of unrealized gain. The year-to-date interest/dividend income is \$859,586.

## Deferred Revenue

	February 28, 2014	February 28, 2013	Change
Membership Dues	\$4,444,061	\$4,659,107	(\$215,046)
Subscriptions	\$2,950,954	\$2,948,802	\$2,152
Conferences-2014 Annual and MW	\$2,760,660	\$2,728,184	\$32,476
Conferences-Division	\$3,632,447	\$2,917,536	\$714,911
Grants and Awards	\$3,399,964	\$2,483,782	\$916,182
<b>TOTAL</b>	<b>\$17,188,086</b>	<b>\$15,737,411</b>	<b>\$1,450,675</b>

Membership deferred revenue at February 28, 2014 is lower than February 28, 2013 due to slower payment of dues by members and lower personal membership.

The advance registration for annual is higher for Las Vegas compared to Chicago last year as of February 28, 2014. The increase in deferred conference revenue for division is due to two division conferences in FY14, and one in FY13.

## Long-Term Debt

The Association has obtained a term loan from JP Morgan CHASE in the amount of \$10,100,000 on July 2, 2012.

The loan is to support the acquisition of Neal-Schuman Publishers, Inc., to refinance the Washington D.C. office series 2006 Bonds, refinance a term loan related to a commercial condo office in Connecticut, to fund a swap termination payment, and to fund certain costs of issuance. Schedule of principal payment and amortization schedule is attached.

The first principal payment was made on July 1, 2013 in the amount of \$647,500. Interest payments are made monthly. From July 2013 to June 2014, \$50,000 is being set aside every month from the operating fund to meet the cash needs. The next payment is due on July 1, 2014. The fund is invested in Blackrock Strategic fund.

The \$10,100,000 loan is related to the following purchase of assets and has been allocated as follows:

	LOAN AMOUNT	%	Principal Payment	Interest payment Monthly
NEAL SCHUMAN	\$5,811,491	57.54%	\$372,568	\$17,515
DC	\$2,705,000	26.78%	\$173,415	\$8,152
CHOICE	\$1,583,509	15.68%	\$101,517	\$4,772
<b>TOTAL LOAN</b>	<b>\$10,100,000</b>	<b>100.00%</b>	<b>\$647,500</b>	<b>\$30,440</b>

## Trade Accounts Receivable

Trade Accounts Receivable(Sched 4)	February 28,2014	February 28,2013	Change
Current	\$1,454,657	\$1,218,040	\$236,617
30 days	\$325,080	\$400,643	(\$75,563)
60 days	\$147,050	\$93,163	\$53,887
90 days	\$78,543	\$28,670	\$49,873
120 days	(\$4,217)	\$35,122	(\$39,339)
150 days	(\$25,196)	(\$25,632)	\$436
Total	\$1,975,917	\$1,750,006	\$225,911

## Inventory

Inventory Levels (Sched 5)	February 28,2014	February 28,2013	Change
ALA Editions	\$1,042,278	\$860,485	\$181,793
Neal-Schurman	\$785,681	\$694,107	\$91,574
Graphics	\$492,300	\$543,255	(\$50,955)
TOTAL	\$2,320,259	\$2,097,847	\$222,412
Inventory Reserve Levels (Sched 6)	February 28,2014	February 28,2013	Change
ALA Editions	\$320,790	\$245,436	\$75,354
Neal-Schurman	\$190,768	\$168,782	\$21,986
Graphics	\$131,061	\$131,730	(\$669)
TOTAL	\$642,619	\$545,948	\$96,671

## Intangible Assets and Goodwill

(Schedule 7)

	At 08/31/13	Impairment	At 02/28/14
Intangible Assets	\$4,250,000	(\$380,000)	\$3,870,000
Amortization	(\$1,004,636)		(\$1,304,969)
Net Intangible Assets	\$3,245,364		\$2,565,031
Goodwill (including Workforce)	\$2,326,567	(\$500,000)	\$1,826,567
Total Net Intangible Assets and Goodwill	\$5,571,931	(\$880,000)	\$4,391,598

The analysis of an impairment of goodwill and intangible assets was performed by Plante Moran. The analysis of Goodwill and Intangible Assets has resulted \$500,000 write down of Goodwill from \$2,326,567 to \$1,826,567 and \$380,000 write down of Intangible Assets from \$4,250,000 to \$3,870,000. A revised amortization schedule is attached.

### **Liquidity Ratio (Schedule 8)**

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

At February 28, 2014	Ratio	Required
Debt Service coverage Ratio	1.76	1.1:1.0
Cash to Debt Ratio	3.89	1.1:1.0

In the event the Cash to Debt Ratio is greater than 1.1 to 1.0 but less than 1.5 to 1.0 as of the end of any two consecutive semi-annual accounting periods, the quarterly financial statements should be furnished to JP Morgan Chase within 60 days after the close of each quarter. A Compliance Certificate to JP Morgan Chase is required evidencing a Cash to Debt Ratio of at least 1.5 to 1.0. The Association has filed the compliance certificate with JP Morgan Chase at February 28, 2014.

### **Grants Indirect Cost Rate**

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

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

**SCHEDULE 1**

<b>YEAR</b>	<b>MARKET VALUE</b>	<b>INTEREST INCOME</b>	<b>YIELD</b>	
1991	\$1,493,202	\$5,529	6.60%	
1992	\$2,107,981	\$91,630	6.82%	
1993	\$4,717,417	\$174,093	5.93%	
1994	\$4,726,074	\$264,791	4.94%	
1995	\$5,784,008	\$319,958	6.57%	
1996	\$5,990,229	\$374,246	6.53%	
1997	\$6,377,031	\$400,808	6.25%	
1998	\$6,855,814	\$418,743	6.30%	
1999	\$7,005,423	\$422,880	6.11%	
2000	\$7,324,250	\$422,114	6.12%	
2001	\$9,794,308	\$521,609	5.90%	
2002	\$10,399,702	\$579,012	5.09%	
2003	\$11,037,007	\$474,382	3.81%	
2004	\$11,248,222	\$444,196	4.19%	
2005	\$11,429,831	\$485,123	4.26%	
2006	\$11,685,678	\$477,319	4.68%	
2007	\$12,238,592	\$570,448	4.17%	
2008	\$14,801,391	\$578,827	4.54%	
2009	\$15,260,990	\$759,392	4.10%	
2010	\$15,642,158	\$689,946	3.66%	
2011	\$15,108,118	\$564,091	3.48%	
2012	\$13,824,947	\$361,805	2.75%	
2013	\$12,397,094	\$322,056	2.52%	
Feb 2014	\$13,102,390	\$154,387	2.20%	
		<b>9,877,385</b>	<b>4.90%</b>	<b>AVG</b>

AMERICAN LIBRARY ASSOCIATION  
 NEUBERGER BERMAN BOND FUND  
 STATEMENT OF UNREALIZED/REALIZED GAINS AND LOSSES  
 FOR THE TWELVE MONTHS ENDING AUGUST 31, 2014

SCHEDULE 2

MONTH	NEUBERGER #1		NEUBERGER #2		M/L - PPG		NET
	UNREALIZED	REALIZED	UNREALIZED	REALIZED	UNREALIZED	REALIZED	
09/30/2013	20,107	(9,075)	34,691	(4,887)	29,713	0	70,549
10/31/2013	7,241	0	28,338	(12,690)	17,878	0	40,767
11/30/2013	754	0	(12,268)	11	(9,400)	(3,643)	(24,546)
12/31/2013	2,709	10,238	(39,861)	0	(34,344)	(1,954)	(63,212)
01/31/2014	17,748	(4,764)	54,087	(17,006)	46,796	(1,131)	95,730
02/28/2014	6,102	(530)	4,019	624	10,206	0	20,421
03/31/2014							0
04/30/2014							0
05/31/2014							0
06/30/2014							0
07/31/2014							0
08/31/2014							0
<b>TOTAL - FY13</b>	<b>54,661</b>	<b>(4,131)</b>	<b>69,006</b>	<b>(33,948)</b>	<b>60,849</b>	<b>(6,728)</b>	<b>139,709</b>
FY 1993	58,654	12,277	0	0	0	0	70,931
FY 1994	(156,399)	(69,198)	0	0	0	0	(225,597)
FY 1995	93,596	(22,622)	4,226	(105)	0	0	75,095
FY 1996	(66,905)	(1,983)	(22,489)	3,738	0	0	(87,639)
FY 1997	26,857	24,234	22,728	(6,023)	0	0	67,796
FY 1998	66,645	2,908	29,601	6,348	0	0	105,502
FY 1999	(92,624)	(34,831)	(60,828)	7,844	(56,811)	(17,950)	(255,200)
FY 2000	56,095	(48,716)	36,945	(30,200)	31,671	(34,284)	11,511
FY 2001	125,591	39,538	51,791	22,697	34,830	24,279	298,726
FY 2002	(39,265)	17,957	73,991	14,918	(3,901)	14,517	78,217
FY 2003	(76,357)	2,002	(112,917)	87,065	(53,834)	34,883	(119,158)
FY 2004	(47,062)	(44,618)	(10,436)	(22,627)	(15,989)	2,356	(138,376)
FY 2005	12,975	(94,536)	(58,538)	(31,551)	(18,621)	(26,748)	(217,019)
FY 2006	43,418	(70,473)	18,414	(61,209)	(30,270)	(32,026)	(132,146)
FY 2007	34,262	(1,670)	36,894	(14,040)	38,930	(2,681)	91,695
FY 2008	(22,135)	30,685	(27,305)	41,559	36,856	29,713	89,373
FY 2009	74,398	2,372	191,239	(89,612)	203,298	355	382,050
FY 2010	50,457	(1,242)	146,792	(2,911)	92,065	29,923	315,084
FY 2011	(28,259)	5,161	(56,709)	65,376	(13,306)	24,704	(3,033)
FY 2012	37,222	(58,869)	(56,519)	85,789	(27,010)	41,872	22,485
FY 2013	(10,210)	(56,127)	(140,411)	(28,546)	(65,117)	(115,344)	(415,755)
<b>TOTAL</b>	<b>195,615</b>	<b>(371,882)</b>	<b>135,475</b>	<b>14,562</b>	<b>213,640</b>	<b>(33,159)</b>	<b>154,251</b>



AMERICAN LIBRARY ASSOCIATION  
LONG-TERM INVESTMENT

SCHEDULE 3

	SEPT 13	OCT 13	NOV 13	DEC 13	JAN 14	FEB 14	MAR 14	APR 14	MAY 14	JUNE 14	JULY 14	AUG 14	AVERAGE
<b>LONG-TERM INVESTMENT</b>													
CASH/MONEY MARKET	1,156,504	752,423	905,422	872,119	835,935	569,742							848,691
FIXED INCOME	1,457,351	1,472,181	1,521,577	1,516,927	1,625,029	1,739,470							1,555,422
EQUITIES	13,686,153	13,745,290	13,942,692	14,349,475	13,895,600	14,650,209							14,044,903
MUTUAL FUNDS	15,683,457	17,621,951	17,766,730	17,999,337	17,591,189	18,826,407							17,748,178
ALTERNATIVE INVT	2,654,650	2,701,418	2,538,816	2,545,640	2,574,068	1,829,601							2,474,029
<b>TOTAL</b>	35,638,094	36,293,263	36,675,238	37,283,499	36,521,815	37,615,428	0	0	0	0	0	0	36,671,223
<b>UNREALIZED AND REALIZED GAIN/LOSS</b>													
REALIZED GAIN/LOSS	168,772	178,589	77,180	39,165	102,431	87,205							653,342
UNREALIZED GAIN/LOSS	988,434	881,435	239,359	24,085	(864,251)	1,215,505							2,484,567
<b>NET (REALIZED/UNREAL)</b>	1,157,206	1,060,024	316,539	63,250	(761,820)	1,302,710	0	0	0	0	0	0	3,137,909
<b>INTEREST/DIVIDEND</b>	68,989	48,909	95,884	571,791	34,040	39,973							859,586

Total Value  
(in millions)

December 2009	\$28.4
December 2010	\$31.4
December 2011	\$31.0
December 2012	\$32.6
December 2013	\$37.3
January 2014	\$36.5
February 2014	\$37.6

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

**SCHEDULE 4**

FISCAL YEAR 2014	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	150 DAYS	TOTAL
SEPTEMBER 2013	\$1,479,955	\$358,560	\$222,779	\$37,145	\$53,136	(\$58,368)	\$2,093,207
OCTOBER 2013	\$768,532	\$474,765	\$59,398	\$30,975	\$20,090	(\$16,581)	\$1,337,179
NOVEMBER 2013	\$1,130,686	(\$17,126)	\$191,747	\$3,280	\$20,369	\$17,251	\$1,346,207
DECEMBER 2013	\$898,263	\$188,672	\$51,200	\$43,672	(\$9,234)	(\$3,147)	\$1,169,426
JANUARY 2014	\$1,217,968	\$212,136	\$226,811	\$8,093	\$22,827	(\$19,305)	\$1,668,530
FEBRUARY 2014	\$1,454,657	\$325,080	\$147,050	\$78,543	(\$4,217)	(\$25,196)	\$1,975,917
MARCH 2014							\$0
APRIL 2014							\$0
MAY 2014							\$0
JUNE 2014							\$0
JULY 2014							\$0
AUGUST 2014							\$0
FY 2014 AVERAGE	\$1,158,344	\$257,015	\$149,831	\$33,618	\$17,162	(\$17,558)	\$1,598,411
%	72.47%	16.08%	9.37%	2.10%	1.07%	-1.10%	100.00%

FISCAL YEAR 2013	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	150 DAYS	TOTAL
SEPTEMBER 2012	\$1,855,593	\$279,993	\$58,586	\$93,706	(\$4,837)	(\$125,915)	\$2,157,126
OCTOBER 2012	\$1,403,298	\$476,768	\$90,124	(\$2,082)	\$21,008	(\$110,422)	\$1,878,694
NOVEMBER 2012	\$1,026,297	\$308,362	\$242,693	\$44,011	(\$3,312)	(\$101,191)	\$1,516,860
DECEMBER 2012	\$984,200	\$305,695	\$142,331	\$63,647	\$24,731	(\$54,082)	\$1,466,522
JANUARY 2013	\$1,472,194	\$169,992	\$111,394	\$61,063	\$13,133	(\$42,411)	\$1,785,365
FEBRUARY 2013	\$1,218,040	\$400,643	\$93,163	\$28,670	\$35,122	(\$25,632)	\$1,750,006
MARCH 2013	\$1,725,848	\$362,256	\$152,569	\$6,833	(\$26,391)	(\$18,743)	\$2,202,372
APRIL 2013	\$1,274,228	\$646,566	\$110,661	\$65,773	\$543	(\$54,262)	\$2,043,509
MAY 2013	\$1,536,477	\$311,058	\$204,993	\$3,558	\$12,568	(\$43,158)	\$2,025,496
JUNE 2013	\$1,402,636	\$455,794	\$171,338	\$4,833	\$8,686	(\$7,550)	\$2,035,737
JULY 2013	\$1,113,702	\$472,300	\$290,211	\$51,786	(\$19,898)	(\$25,506)	\$1,882,595
AUGUST 2013	\$1,276,104	\$502,781	\$205,993	\$89,383	\$16,135	(\$17,643)	\$2,072,753
TOTAL - FY 2013	\$16,288,617	\$4,692,208	1,874,056	511,181	77,488	(626,515)	22,817,035
FY 2013 AVERAGE	\$1,357,385	\$391,017	\$156,171	\$42,598	\$6,457	(\$52,210)	\$1,901,420
%	71.39%	20.56%	8.21%	2.24%	0.34%	-2.75%	100.00%

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

**SCHEDULE 5**

YEAR	GRAPHICS	% CHANGE	ALA EDITIONS	% CHANGE	NEAL SCHUMAN	% CHANGE	TOTAL ALA EDITIONS	% CHANGE
1989	544,608		697,828				1,242,436	
1990	757,983	39.18%	718,588	2.97%			1,476,571	18.84%
1991	661,005	-12.79%	769,198	7.04%			1,430,203	-3.14%
1992	686,760	3.90%	711,549	-7.49%			1,398,309	-2.23%
1993	715,912	4.24%	696,409	-2.13%			1,412,321	1.00%
1994	729,317	1.87%	635,325	-8.77%			1,364,642	-3.38%
1995	809,352	10.97%	604,194	-4.90%			1,413,546	3.58%
1996	790,814	-2.29%	1,092,104	80.75%			1,882,918	33.21%
1997	729,902	-7.70%	963,897	-11.74%			1,693,799	-10.04%
1998	569,061	-22.04%	1,094,600	13.56%			1,663,661	-1.78%
1999	463,294	-18.59%	956,806	-12.59%			1,420,100	-14.64%
2000	573,551	23.80%	991,841	3.66%			1,565,392	10.23%
2001	557,678	-2.77%	849,889	-14.31%			1,407,567	-10.08%
2002	534,669	-4.13%	728,283	-14.31%			1,262,952	-10.27%
2003	498,778	-6.71%	794,103	9.04%			1,292,881	2.37%
2004	571,892	14.66%	835,846	5.26%			1,407,738	8.88%
2005	622,796	8.90%	718,072	-14.09%			1,340,868	-4.75%
2006	664,832	6.75%	699,378	-2.60%			1,364,210	1.74%
2007	692,621	4.18%	726,314	3.85%			1,418,935	4.01%
2008	616,266	-11.02%	619,219	-14.75%			1,235,485	-12.93%
2009	739,434	19.99%	716,785	15.76%			1,456,219	17.87%
2010	641,745	-13.21%	798,104	11.34%			1,439,849	-1.12%
2011	581,257	-9.43%	840,551	5.32%			1,421,808	-1.25%
2012	541,212	-6.89%	865,274	2.94%	671,444		2,077,930	46.15%
2013	521,304	-3.68%	949,027	9.68%	785,543		2,255,874	8.56%
Feb-14	492,300	-5.56%	1,042,278	9.83%	785,681		2,320,259	2.85%

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

**SCHEDULE 6**

YEAR	GRAPHICS	% CHANGE	ALA EDITIONS	% CHANGE	NEAL SCHUMAN	% CHANGE	TOTAL ALA EDITIONS	% CHANGE	% OF TOTAL INVENTORY
1989	181,200		253,172				434,372		34.96%
1990	181,200	0.00%	186,009	-26.53%			367,209	-15.46%	24.87%
1991	133,866	-26.12%	135,898	-26.94%			269,764	-26.54%	18.86%
1992	125,082	-6.56%	117,891	-13.25%			242,973	-9.93%	17.38%
1993	137,328	9.79%	92,309	-21.70%			229,637	-5.49%	16.26%
1994	76,767	-44.10%	110,047	19.22%			186,814	-18.65%	13.69%
1995	103,033	34.22%	100,011	-9.12%			203,044	8.69%	14.36%
1996	121,319	17.75%	116,322	16.31%			237,641	17.04%	12.62%
1997	225,403	85.79%	173,195	48.89%			398,598	67.73%	23.53%
1998	109,080	-51.61%	287,228	65.84%			396,308	-0.57%	23.82%
1999	151,508	38.90%	333,862	16.24%			485,370	22.47%	34.18%
2000	130,652	-13.77%	301,402	-9.72%			432,054	-10.98%	27.60%
2001	77,539	-40.65%	217,774	-27.75%			295,313	-31.65%	20.98%
2002	50,870	-34.39%	236,096	8.41%			286,966	-2.83%	22.72%
2003	75,094	47.62%	280,851	18.96%			355,945	24.04%	27.53%
2004	75,390	0.39%	295,668	5.28%			371,058	4.25%	26.36%
2005	116,109	54.01%	268,718	-9.11%			384,827	3.71%	28.70%
2006	159,162	37.08%	295,589	10.00%			454,751	18.17%	33.33%
2007	137,698	-13.49%	276,886	-6.33%			414,584	-8.83%	29.22%
2008	109,602	-20.40%	326,062	17.76%			435,664	5.08%	35.26%
2009	201,328	83.69%	285,829	-12.34%			487,157	11.82%	33.45%
2010	158,100	-21.47%	255,851	-10.49%			413,951	-15.03%	28.75%
2011	137,652	-12.93%	264,782	3.49%			402,434	-2.78%	28.30%
2012	131,733	-4.30%	245,450	-7.30%	140,000		517,183	28.51%	24.89%
2013	125,142	-5.00%	289,431	17.92%	168,782	20.56%	583,355	12.79%	28.49%
Feb-14	131,061	4.73%	320,790	10.83%	190,768	13.03%	642,619	10.16%	27.70%

**SCHEDULE 7**

**Amortization schedule  
Intangible Assets and Goodwill**

	Fair Value 12/23/2011	Useful Life (Years)	FY 2012	FY 2013	IMPAIRMENT FY 2013	ADJUSTED FAIR VALUE	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	TOTAL
<b>Intangible Assets</b>																
Non-Compete Agreement	\$74,000	4	9,250	18,500		73,800	18,500	38,500	9,250	168,400	168,400	168,400	168,400	168,400	84,200	74,000
Trademarks & Brands Extension	\$1,684,000	10	84,200	168,400		1,683,800	168,400	168,400	168,400	168,400	168,400	168,400	168,400	168,400	168,400	1,684,000
Backlist	\$516,000	3	86,000	172,000		516,000	172,000	86,000	168,400	168,400	168,400	168,400	168,400	168,400	168,400	516,000
Distribution Relationship	\$631,000	7	45,071	90,143	(275,000)	356,000	40,143	40,143	40,143	40,143	40,143	20,071				356,000
Co-Publishing Relationship	\$998,000	7	71,286	142,571		928,000	142,571	142,571	142,571	142,571	142,571	71,288				998,000
Online & Catalog	\$150,000	3	25,000	50,000		150,000	50,000	25,000	9,052	9,052	9,052	4,526				150,000
Customer Relationship	\$197,000	7	14,071	28,143	(105,000)	92,000	9,052	9,052	9,052	9,052	9,052	4,526				92,000
<b>Total Intangible Assets</b>			354,878	669,757	(380,000)	3,870,000	800,866	489,666	369,416	360,166	360,166	264,285	168,400	168,400	84,200	3,870,000
Cumulative amortization			394,379	1,004,636		1,004,636	1,605,302	2,094,988	2,464,384	2,824,550	3,184,716	3,449,000	3,817,400	3,785,800	3,870,000	
<b>Net Intangible Assets</b>	\$4,250,000		1,915,121	1,245,364		2,865,364	2,264,698	1,775,032	1,405,616	1,045,450	685,284	471,000	252,600	64,200	0	
<b>Goodwill</b>	\$2,326,567	Indefinite	\$2,326,567	\$2,326,567	(5700,000)	\$1,826,567	\$1,826,567	\$1,826,567	\$1,826,567	\$1,826,567	\$1,826,567	\$1,826,567	\$1,826,567	\$1,826,567	\$1,826,567	
<b>Net Intangible Assets and Goodwill</b>	\$6,576,567		\$6,241,688	\$5,571,931	(\$680,000)	\$4,691,931	\$4,091,265	\$3,601,599	\$3,232,183	\$2,872,017	\$2,511,851	\$2,247,567	\$2,079,167	\$1,910,787	\$1,826,567	



Liquidity Ratio

SCHEDULE 8

	February 28,2014	February 28, 2013	August 31, 2014 Projection	August 31, 2013 Audited
<b>DEBT SERVICE COVERAGE RATIO</b>				
CHANGE IN UNRESTRICTED NET ASSETS	\$3,058,201	(\$869,223)	\$3,700,000	\$465,514
POST RETIREMENT BENEFITS	\$0	\$0	\$300,000	\$329,244
DEPRECIATION	\$957,722	\$971,696	\$1,915,444	\$1,926,217
AMORTIZATION	\$664,987	\$682,599	\$1,330,000	\$1,385,864
INTEREST EXPENSE	\$180,136	\$205,378	\$360,000	\$412,768
IMPAIRMENT OF GW & INTANGIBLE ASSETS	\$0	\$0	\$0	\$880,000
REALIZED/UNREALIZED GAINS/LOSSES	(\$3,232,737)	(\$1,112,744)	(\$4,000,000)	(\$1,628,355)
<b>TOTAL CASH FLOW (A)</b>	<b>\$1,628,309</b>	<b>(\$122,294)</b>	<b>\$3,605,444</b>	<b>\$3,771,252</b>
CURRENT PORTION -LONG TERM DEBT	\$647,500	\$647,500	\$647,500	\$647,500
CURRENT PORTION -CAPITAL LEASE	\$95,969	\$125,073	\$153,913	\$142,090
INTEREST EXPENSE	\$180,136	\$205,378	\$360,000	\$412,768
<b>TOTAL CURRENT LONG TERM DEBT (B)</b>	<b>\$923,605</b>	<b>\$977,951</b>	<b>\$1,161,413</b>	<b>\$1,202,358</b>
<b>DEBT SERVICE COVER AGE (A/B)</b>	<b>1.76</b>	<b>(0.13)</b>	<b>3.10</b>	<b>3.14</b>
DEBT BENCHMARK	1.1 TO 1.0	1.1 TO 1.0	1.1 TO 1.0	1.1 TO 1.0
<b>CASH TO DEBT RATIO</b>				
	February 28,2014	February 28, 2013	August 31, 2014 Projection	August 31, 2013 Audited
CASH AND EQUIVALENT	\$6,079,575	\$3,511,427	\$3,000,000	\$3,215,197
SHORT-TERM INVESTMENT	\$13,422,124	\$13,961,580	\$14,000,000	\$12,397,093
LONG-TERM INVESTMENT	\$37,615,440	\$33,825,255	\$38,500,000	\$34,381,883
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$57,117,139</b>	<b>\$51,298,262</b>	<b>\$55,500,000</b>	<b>\$49,994,173</b>
TEMPORARILY RESTRICTED NET ASSETS	\$4,702,606	\$4,068,511	\$4,700,000	\$3,761,735
PERMANENTLY RESTRICTED NET ASSETS	\$514,700	\$514,700	\$514,700	\$514,700
DEFERRED REVENUE	\$13,788,122	\$13,253,629	\$9,300,000	\$9,232,922
<b>NET ASSETS AND DEFERRED REVENUE</b>	<b>\$19,005,428</b>	<b>\$17,836,840</b>	<b>\$14,514,700</b>	<b>\$13,509,357</b>
<b>UNRESTRICTED CASH AND INVESTMENT(A)</b>	<b>\$38,111,711</b>	<b>\$33,461,422</b>	<b>\$40,985,300</b>	<b>\$36,484,816</b>
CURRENT PORTION OF LONG-TERM DEBT	\$647,500	\$647,500	\$647,500	\$647,500
NON-CURR PORTION OF LONG-TERM DEBT	\$8,805,000	\$9,452,500	\$8,157,500	\$8,805,000
CURRENT PORTION OF CAPITAL LEASE	\$95,969	\$125,073	\$153,913	\$142,090
NON-CURR PORTION OF CAPITAL LEASE	\$260,097	\$485,209	\$129,702	\$283,615
<b>TOTAL INDEBTEDNESS(B)</b>	<b>\$9,808,566</b>	<b>\$10,710,282</b>	<b>\$9,088,615</b>	<b>\$9,878,205</b>
<b>CASH TO DEBT RATIO (A/B)</b>	<b>3.89</b>	<b>3.12</b>	<b>4.51</b>	<b>3.69</b>
CASH TO DEBT BENCHMARK	1.1 TO 1.0	1.1 TO 1.0	1.1 TO 1.0	1.1 TO 1.0

Yearly Amortization

Date	Outstanding Principal	Principal Payment	Interest Payment	Total Payment	Ending Principal
07/01/2012	\$10,100,000.00	\$0.00	\$353,500.00	\$353,500.00	\$10,100,000.00
07/01/2013	\$10,100,000.00	\$647,500.00	\$353,500.00	\$1,001,000.00	\$9,452,500.00
07/01/2014	\$9,452,500.00	\$647,500.00	\$330,837.50	\$978,337.50	\$8,805,000.00
07/01/2015	\$8,805,000.00	\$647,500.00	\$308,175.00	\$955,675.00	\$8,157,500.00
07/01/2016	\$8,157,500.00	\$1,147,500.00	\$285,512.50	\$1,433,012.50	\$7,010,000.00
07/01/2017	\$7,010,000.00	\$1,147,500.00	\$245,350.00	\$1,392,850.00	\$5,862,500.00
07/01/2018	\$5,862,500.00	\$1,147,500.00	\$205,187.50	\$1,352,687.50	\$4,715,000.00
07/01/2019	\$4,715,000.00				

Monthly Amortization

Date	Outstanding Principal	Principal Payment	Interest Payment	Total Payment	Ending Principal
08/01/2012	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
09/01/2012	\$10,100,000.00	\$0.00	\$29,458.33	\$29,458.33	\$10,100,000.00
10/01/2012	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
11/01/2012	\$10,100,000.00	\$0.00	\$29,458.33	\$29,458.33	\$10,100,000.00
12/01/2012	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
01/01/2013	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
02/01/2013	\$10,100,000.00	\$0.00	\$27,494.44	\$27,494.44	\$10,100,000.00
03/01/2013	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
04/01/2013	\$10,100,000.00	\$0.00	\$29,458.33	\$29,458.33	\$10,100,000.00
05/01/2013	\$10,100,000.00	\$0.00	\$30,440.28	\$30,440.28	\$10,100,000.00
06/01/2013	\$10,100,000.00	\$0.00	\$29,458.33	\$29,458.33	\$10,100,000.00
07/01/2013	\$10,100,000.00	\$647,500.00	\$30,440.28	\$677,940.28	\$9,452,500.00
08/01/2013	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
09/01/2013	\$9,452,500.00	\$0.00	\$27,569.79	\$27,569.79	\$9,452,500.00
10/01/2013	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
11/01/2013	\$9,452,500.00	\$0.00	\$27,569.79	\$27,569.79	\$9,452,500.00
12/01/2013	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
01/01/2014	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
02/01/2014	\$9,452,500.00	\$0.00	\$25,731.81	\$25,731.81	\$9,452,500.00
03/01/2014	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
04/01/2014	\$9,452,500.00	\$0.00	\$27,569.79	\$27,569.79	\$9,452,500.00
05/01/2014	\$9,452,500.00	\$0.00	\$28,488.78	\$28,488.78	\$9,452,500.00
06/01/2014	\$9,452,500.00	\$0.00	\$27,569.79	\$27,569.79	\$9,452,500.00
07/01/2014	\$9,452,500.00	\$647,500.00	\$28,488.78	\$675,988.78	\$8,805,000.00
08/01/2014	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
09/01/2014	\$8,805,000.00	\$0.00	\$25,681.25	\$25,681.25	\$8,805,000.00
10/01/2014	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
11/01/2014	\$8,805,000.00	\$0.00	\$25,681.25	\$25,681.25	\$8,805,000.00
12/01/2014	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
01/01/2015	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
02/01/2015	\$8,805,000.00	\$0.00	\$23,969.17	\$23,969.17	\$8,805,000.00
03/01/2015	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
04/01/2015	\$8,805,000.00	\$0.00	\$25,681.25	\$25,681.25	\$8,805,000.00

05/01/2015	31	0.086	\$8,805,000.00	\$0.00	\$26,537.29	\$26,537.29	\$8,805,000.00
06/01/2015	30	0.083	\$8,805,000.00	\$0.00	\$25,681.25	\$25,681.25	\$8,805,000.00
07/01/2015	31	0.086	\$8,805,000.00	\$647,500.00	\$26,537.29	\$674,037.29	\$8,157,500.00
08/01/2015	31	0.086	\$8,157,500.00	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
09/01/2015	30	0.083	\$8,157,500.00	\$0.00	\$23,792.71	\$23,792.71	\$8,157,500.00
10/01/2015	31	0.086	\$8,157,500.00	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
11/01/2015	30	0.083	\$8,157,500.00	\$0.00	\$23,792.71	\$23,792.71	\$8,157,500.00
12/01/2015	31	0.086	\$8,157,500.00	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
01/01/2016	31	0.086	\$8,157,500.00	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
02/01/2016	29	0.081	\$8,157,500.00	\$0.00	\$22,999.62	\$22,999.62	\$8,157,500.00
03/01/2016	31	0.086	\$8,157,500.00	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
04/01/2016	30	0.083	\$8,157,500.00	\$0.00	\$23,792.71	\$23,792.71	\$8,157,500.00
05/01/2016	31	0.086	\$8,157,500.00	\$0.00	\$24,585.80	\$24,585.80	\$8,157,500.00
06/01/2016	30	0.083	\$8,157,500.00	\$0.00	\$23,792.71	\$23,792.71	\$8,157,500.00
07/01/2016	31	0.086	\$8,157,500.00	\$1,147,500.00	\$24,585.80	\$1,172,085.80	\$7,010,000.00
08/01/2016	31	0.086	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
09/01/2016	30	0.083	\$7,010,000.00	\$0.00	\$20,445.83	\$20,445.83	\$7,010,000.00
10/01/2016	31	0.086	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
11/01/2016	30	0.083	\$7,010,000.00	\$0.00	\$20,445.83	\$20,445.83	\$7,010,000.00
12/01/2016	31	0.086	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
01/01/2017	31	0.086	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
02/01/2017	28	0.078	\$7,010,000.00	\$0.00	\$19,082.78	\$19,082.78	\$7,010,000.00
03/01/2017	31	0.086	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
04/01/2017	30	0.083	\$7,010,000.00	\$0.00	\$20,445.83	\$20,445.83	\$7,010,000.00
05/01/2017	31	0.086	\$7,010,000.00	\$0.00	\$21,127.36	\$21,127.36	\$7,010,000.00
06/01/2017	30	0.083	\$7,010,000.00	\$0.00	\$20,445.83	\$20,445.83	\$7,010,000.00
07/01/2017	31	0.086	\$7,010,000.00	\$1,147,500.00	\$21,127.36	\$1,168,627.36	\$5,862,500.00
08/01/2017	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
09/01/2017	30	0.083	\$5,862,500.00	\$0.00	\$17,098.96	\$17,098.96	\$5,862,500.00
10/01/2017	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
11/01/2017	30	0.083	\$5,862,500.00	\$0.00	\$17,098.96	\$17,098.96	\$5,862,500.00
12/01/2017	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
01/01/2018	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
02/01/2018	28	0.078	\$5,862,500.00	\$0.00	\$15,959.03	\$15,959.03	\$5,862,500.00
03/01/2018	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
04/01/2018	30	0.083	\$5,862,500.00	\$0.00	\$17,098.96	\$17,098.96	\$5,862,500.00
05/01/2018	31	0.086	\$5,862,500.00	\$0.00	\$17,668.92	\$17,668.92	\$5,862,500.00
06/01/2018	30	0.083	\$5,862,500.00	\$0.00	\$17,098.96	\$17,098.96	\$5,862,500.00
07/01/2018	31	0.086	\$5,862,500.00	\$1,147,500.00	\$17,668.92	\$1,165,168.92	\$4,715,000.00
08/01/2018	31	0.086	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00
09/01/2018	30	0.083	\$4,715,000.00	\$0.00	\$13,752.08	\$13,752.08	\$4,715,000.00
10/01/2018	31	0.086	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00
11/01/2018	30	0.083	\$4,715,000.00	\$0.00	\$13,752.08	\$13,752.08	\$4,715,000.00
12/01/2018	31	0.086	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00
01/01/2019	31	0.086	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00
02/01/2019	28	0.078	\$4,715,000.00	\$0.00	\$12,835.28	\$12,835.28	\$4,715,000.00
03/01/2019	31	0.086	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00



04/01/2019	30	0.083	\$4,715,000.00	\$0.00	\$13,752.08	\$13,752.08	\$4,715,000.00
05/01/2019	31	0.086	\$4,715,000.00	\$0.00	\$14,210.49	\$14,210.49	\$4,715,000.00
06/01/2019	30	0.083	\$4,715,000.00	\$0.00	\$13,752.08	\$13,752.08	\$4,715,000.00
07/01/2019			\$4,715,000.00				\$4,715,000.00