

**2013-2014 EBD #4.2**

**AMERICAN LIBRARY ASSOCIATION  
RETIREMENT PLAN**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Executive Board  
American Library Association Retirement Plan  
Chicago, Illinois

### Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the American Library Association Retirement Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012, and the notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the United States Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 12, which was certified by, Teachers Insurance and Annuity Association of America and College Retirement Equities Fund (TIAA-CREF), the custodian of the Plan, except for comparing this information with the related information included in the financial statements. We have been informed by the Plan Administrator that the custodian holds the Plan's investment assets and executes investment transactions. The Plan Administrator has obtained a certification from the custodian as of December 31, 2012 and 2011, and for the year ended December 31, 2012, that the information provided to the Plan Administrator by the custodian is complete and accurate.

### **Basis for Disclaimer of Opinion, Continued**

In addition, the Plan has not maintained sufficient accounting records and supporting documents relating to certain annuity and custodial accounts issued to current and former employees prior to January 1, 2009. Accordingly, we were unable to apply auditing procedures sufficient to determine the extent to which the financial statements have been affected by these conditions.

Further, as described in Note 9, the Plan has excluded from investments in the accompanying statements of net assets available for benefits certain annuity and custodial accounts issued to current and former employees prior to January 1, 2009, as permitted by the Department of Labor's Field Assistance Bulletin No. 2009-02, Annual Reporting Requirements for 403(b) Plans. The investment income and distributions related to such accounts have also been excluded from the accompanying statement of changes in net assets available for benefits. Under accounting principles generally accepted in the United States of America, these accounts and the related income and distributions should have been included in the accompanying financial statements. The effects of these excluded annuity and custodial accounts and the related income and distributions are not determinable.

### ***Disclaimer of Opinion***

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### ***Other Matter – Supplemental Schedule***

The supplemental schedule of assets (held at end of year) as of December 31, 2012, is presented for the purpose of additional analysis and is not a required part of the financial statements but is required by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph we do not express an opinion on the supplemental schedule.

*Mandler & Co., LLP*

Elgin, Illinois  
September 19, 2013

**AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**  
**DECEMBER 31, 2012 AND 2011**

	2012	2011
<b>Assets:</b>		
Investments, at fair value:		
Variable annuity contracts	\$ 30,743,605	27,099,993
Guaranteed annuity contract - benefit responsive	2,897,805	2,756,026
Guaranteed annuity contract - non-benefit responsive	20,140,523	19,772,689
Shares of pooled separate account	1,910,873	1,728,991
Shares of registered investment companies	1,575,396	766,031
	57,268,202	52,123,730
Receivables:		
Organization contributions	36,096	37,204
Participant contributions	51,207	45,076
	87,303	82,280
Net assets available for benefits	\$ 57,355,505	52,206,010

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

AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS  
AVAILABLE FOR BENEFITS

YEAR ENDED DECEMBER 31, 2012

**Additions to net assets:**

Investment income:

Net appreciation in fair value of investments

\$ 4,999,204

Interest and dividends

245,115

5,244,319

Contributions:

Organization

939,079

Participants

1,161,316

2,100,395

Total additions

7,344,714

**Deductions from net assets -**

Benefits paid

2,195,219

Net increase in net assets

5,149,495

**Net assets available for benefits:**

Beginning of year

52,206,010

End of year

\$ 57,355,505

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

# AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - PLAN DESCRIPTION

The following brief description of the American Library Association Retirement Plan (formerly known as American Library Association Defined Contribution Retirement Plan) (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

#### General

The Plan is a defined contribution 403(b) plan covering all employees of the American Library Association (the Organization) who may make deferral contributions immediately upon hire. After completing two years of service as defined in the Plan agreement, employees become eligible for the Organization match and nondiscretionary contributions. The match is allocated effective the first full pay period after the employee's anniversary date, as defined by the Plan. The nondiscretionary contribution is allocated to qualifying participants annually. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

#### Plan Merger

As of the close of business on December 31, 2010, the American Library Association elected to merge the American Library Association Tax-Deferred Annuity Plan into the Plan. All assets and liabilities of the American Library Association Tax-Deferred Annuity Plan were merged into the Plan as of the close of business on December 31, 2010.

In conjunction with the Plan merger, the name of the Plan was changed from the American Library Association Defined Contribution Retirement Plan to the American Library Association Retirement Plan.

Effective with the merger on December 31, 2010, employees became eligible to make deferral contributions immediately upon hire and participants could borrow from TIAA-CREF using a portion of their plan account as security for the loan. Loan balances at December 31, 2012 were \$81,861 (See Note 12). Under the borrowing terms, plan assets of 110% of the loan amount serves as collateral to these loans.

#### Contributions

Eligible employees may contribute up to 100 percent of pretax annual compensation, as defined by the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The Organization contributes a matching contribution and a nondiscretionary contribution to employees with 2 years of eligibility service as defined in the Plan document. The matching contribution to the Plan is equal to 3 percent of the eligible participant's compensation, as defined, for those participant's contributing at least 3 percent of compensation. A matching contribution is not made for participants contributing less than 3 percent. The Organization's nondiscretionary contribution to the Plan is equal to 4 percent of compensation for eligible employees. Contributions are subject to Internal Revenue Service limitations.

## AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **NOTE 1 - PLAN DESCRIPTION, CONTINUED**

##### **Participant Accounts**

Each participant's account is credited with the participant's contribution and receives an allocation of the Organization contribution and Plan earnings. Allocations are based on participant account balances or compensation, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

##### **Vesting**

Participants are immediately vested in their contributions and the Organization contributions plus actual earnings thereon.

##### **Investment Options**

Upon enrollment in the Plan, a participant may direct their account balance in a variety of investment choices as more fully described in the Plan's literature. Participants may change their investment options at any time.

##### **Payment of Benefits**

On termination of service due to severance of employment, death, disability or retirement, a participant or a participant's beneficiary may elect to receive a lump-sum amount equal to the value of the participant's vested interest in his or her account, installment payments or an annuity.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Presentation**

The Plan has adopted the Financial Accounting Standards Board (FASB) Codification (Codification or ASC). The Codification is the single source of authoritative generally accepted accounting principles in the United States (U.S. GAAP) recognized by the FASB to be applied by nongovernmental entities. All of the Codification's content carries the same level of authority.

##### **Basis of Accounting**

The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan.



# AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### Basis of Accounting, Continued

Generally accepted accounting principles require the statements of net assets available for benefits to present the fair value of the investment contracts, as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Plan Administrator had determined that contract value approximates fair value; therefore, no adjustment of the fully benefit responsive investment contracts from fair value to contract value is reported on the statements of net assets available for benefits. The statement of changes in net assets available for benefits is prepared on a contract value basis.

#### Investment Valuation and Income Recognition

Except for certain contracts held by TIAA-CREF described in Notes 3 and 4, investments are stated at the amounts certified to the Plan Administrator by TIAA-CREF at December 31, 2012 and 2011, which represents fair value at the statement of net assets available for plan benefits date. Guaranteed annuity contracts are valued at contract value which approximates fair value. Variable annuity contracts are valued at the total of the net asset value of shares held at year-end which is based on the fair value of the underlying investments. Shares of pooled separate accounts are valued at net asset value of investments held at year end. Share of registered investment companies are valued at quoted market prices.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

#### Benefit Payments

Benefits are recorded when paid.

#### Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

Subsequent events have been evaluated through September 19, 2013, the date that the financial statements were available for issue. All subsequent events, if any, requiring recognition as of December 31, 2012, have been incorporated into these financial statements.

**AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 3 - INVESTMENTS**

The following table presents the fair values of investments in this Plan that represent 5 percent or more of the Plan's assets as of December 31, 2012 and 2011.

**FAIR VALUE OF INVESTMENTS**

	<u>2012</u>	<u>2011</u>
Investments in excess of 5% of current value of Plan assets at fair value as determined by quoted market price:		
CREF Stock	\$ 15,885,523	14,424,862
TIAA Traditional - non-benefit responsive	20,140,523	19,772,689
TIAA Traditional - benefit responsive	2,897,805	2,756,026
CREF Global Equities	3,048,044	2,569,716

During 2012, the Plan's investments (including investments bought, sold and held during the year), appreciated in value of \$4,999,204 as follows:

Variable annuity contracts	\$ 3,961,376
Guaranteed annuity contracts	702,763
Shares of pooled separate account	175,852
Shares of registered investment companies	<u>159,213</u>
	\$ <u>4,999,204</u>

**NOTE 4 - FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

**AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED**

- Level 2      Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Variable annuity contracts: Valued at the total net asset value (NAV) of shares held at year end which is based on the fair value of the underlying investments. The Plan's interest in the variable annuity contract is valued based on the information reported by the contract holder.

Guaranteed annuity contract: the fixed annuity contract is reported at contract value which approximates fair value. This determination is based on TIAA's credit rating and yield during 2012 and 2011 being comparable to similar alternative investments and the interest rate which resets annually being comparable to a ten year treasury bond.

Shares of pooled separate account: Valued at the total of the NAV of investments held by the Plan at year end.

Shares of registered investment companies: Valued at the quoted market price of shares held by the Plan at year end.

**AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value by class within major categorization for debt and equity securities on the basis of nature and risk of the investments as of December 31, 2012 and 2011:

<b>Asset at Fair Value as of December 31, 2012</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Variable annuity contracts:</b>				
Equity	\$ -	21,715,518	-	21,715,518
Index	-	2,571,355	-	2,571,355
Fixed income	-	3,841,634	-	3,841,634
Specialty/Balanced account	-	1,366,221	-	1,366,221
Money market	-	1,248,877	-	1,248,877
<b>Guaranteed annuity contract:</b>				
Non-benefit responsive	-	-	20,140,523	20,140,523
Benefit responsive	-	-	2,897,805	2,897,805
<b>Shares of pooled separate account:</b>				
Real estate	-	1,910,873	-	1,910,873
<b>Shares of registered investment companies:</b>				
Lifecycle	273,978	-	-	273,978
International equity	426,093	-	-	426,093
Large-cap stocks	341,627	-	-	341,627
Mid-cap stocks	354,259	-	-	354,259
Small-cap stocks	<u>179,439</u>	-	-	<u>179,439</u>
<b>Total assets at fair value</b>	<b>\$ <u>1,575,396</u></b>	<b><u>32,654,478</u></b>	<b><u>23,038,328</u></b>	<b><u>57,268,202</u></b>

**AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED**

	<b>Asset at Fair Value as of December 31, 2011</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Variable annuity contracts:				
Equity	\$ -	19,342,079	-	19,342,079
Index	-	2,102,699	-	2,102,699
Fixed income	-	3,354,511	-	3,354,511
Specialty/Balanced account	-	1,140,296	-	1,140,296
Money market	-	1,160,408	-	1,160,408
Guaranteed annuity contract:				
Non-benefit responsive	-	-	19,772,689	19,772,689
Benefit responsive	-	-	2,756,026	2,756,026
Shares of pooled separate account:				
Real estate	-	1,728,991	-	1,728,991
Shares of registered investment companies:				
Lifecycle	91,119	-	-	91,119
International equity	206,704	-	-	206,704
Large-cap stocks	165,757	-	-	165,757
Mid-cap stocks	207,448	-	-	207,448
Small-cap stocks	95,003	-	-	95,003
<b>Total assets at fair value</b>	<b>\$ <u>766,031</u></b>	<b><u>28,828,984</u></b>	<b><u>22,528,715</u></b>	<b><u>52,123,730</u></b>

**Level 3 Gains and Losses**

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2012.

	<u>Guaranteed Annuity Contract</u>	
	<u>Benefit Responsive</u>	<u>Non-Benefit Responsive</u>
Balance, beginning of the year	\$ 2,756,026	19,772,689
Earnings	10,976	192,159
Realized gains	20,293	278,586
Unrealized gains relating to investments still held at reporting date	63,250	340,634
Acquisitions	113,700	352,623
Plan loan defaulted collateral	451	-
Dispositions	( 93,519)	( 962,992)
Transfers	<u>26,628</u>	<u>166,824</u>
Balance, end of year	\$ <u>2,897,805</u>	<u>20,140,523</u>

**AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED**

Guaranteed Annuity Contract	
Benefit Responsive	Non-Benefit Responsive

The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.

\$	<u>63,250</u>	<u>340,634</u>
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Gains and losses (realized and unrealized) included in changes in net assets for the period above are reported in net appreciation in fair value of investments in the statement of changes in net assets available for benefits.

**Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements**

The following table represents the Plan's level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Range</u>
Guaranteed Annuity Contract – Benefit Responsive	\$2,897,805	Discounted Cash Flow	Risk adjusted discount rate applied	RA - 3.00% - 5.00% SRA - 3.00% - 4.25% GRA - 3.00% - 5.00% GSRA - 3.00% - 4.25%
Guaranteed Annuity Contract - Non- Benefit Responsive	\$20,140,523	Theoretical transfer (exit value)		RC - 3.30% - 5.35% RCP - 2.55% - 4.60%

In estimating fair value of the investments in Level 3, the Investment Committee may use third-party pricing sources or appraisers. In substantiating the reasonableness of the pricing data provided by third parties, the Investment Committee evaluates a variety of factors including review of methods and assumptions used by external sources, recently executed transactions, existing contracts, economic conditions, industry and market developments, and overall credit ratings.

# AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 - INVESTMENT CONTRACT WITH TIAA-CREF

The Plan has a fixed annuity investment contract with TIAA-CREF. TIAA-CREF maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses.

For investment contracts that are fully benefit responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. These contracts are included in the financial statements at contract value, as reported to the Plan by TIAA-CREF. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. At December 31, 2012 and 2011 one of the Plan's investment contracts is fully benefit responsive.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. TIAA-CREF indicates that contract value approximates fair value for these investments at December 31, 2012 and 2011. The fair value and the contract value of the non-benefit responsive fixed annuity contract at December 31, 2012 and 2011, were \$20,140,523 and \$19,772,689, respectively. The fair value and the contract value of the benefit responsive fixed annuity contract at December 31, 2012 and 2011 were \$2,897,805 and \$2,756,026, respectively. The crediting interest rate is based on a formula agreed upon with the issuer, but, as of December 31, 2012 and 2011, it may not be less than 3%. Such interest rates are reviewed on an annual basis for resetting.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the plan documents (including complete or partial plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the plan sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, or (4) the failure of the custodial account to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Plan Administrator does not believe that any events which would limit the Plan's ability to transact at contract value with participants are probable of occurring.

The contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

	<u>2012</u>	<u>2011</u>
Average yields:		
Based on actual earnings	3.93%	3.94%
Based on interest rate credited to participants	**	**

**AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 5 - INVESTMENT CONTRACT WITH TIAA-CREF, CONTINUED**

\*\* The crediting interest rate was 3.0% during 2012 and ranged from 3.35% to 4.0% during 2011.

Investment contracts that are not fully benefit responsive are included in the financial statements at contract value as reported by TIAA-CREF. TIAA-CREF has reported to the Plan that contract value approximates fair value for these investments at December 31, 2012 and 2011.

**NOTE 6 - RELATED PARTY TRANSACTIONS**

Certain Plan investments are issued or managed by TIAA-CREF, and therefore these transactions qualify as party-in-interest.

Certain employees of the Organization provide administrative services for the Plan and are not reimbursed for their services from the Plan. Certain other administrative expenses of the Plan are paid by the Organization on behalf of the Plan.

**NOTE 7 - PLAN TERMINATION**

Although it has not expressed any intent to do so, the Organization has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

**NOTE 8 - TAX STATUS OF PLAN**

The Plan Administrator believes that the Plan has been designed to comply with the requirements of the section 403(b) of the Internal Revenue Code and, therefore, believes the Plan is qualified and the related custodial accounts are tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken uncertain tax positions that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2012 and 2011, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdiction; however, there are currently no audits for any open tax periods or any tax periods in progress. The Plan Administrator believes it is no longer subject to income tax examinations for years prior to 2009.



## AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **NOTE 9 - EXCLUDED CONTRACTS**

The Plan Administrator has elected to exclude from investments certain annuity and custodial accounts which may have been issued to current and former employees prior to January 1, 2010, as permitted by the Department of Labor's Field Assistance Bulletin No. 2009-02, Annual Reporting Requirements for 403(b) Plans. The investment income and distributions related to such potential accounts have also been excluded from the statement of changes in net assets available for benefits. Accounting principles generally accepted in the United States of America require that these accounts and the related income and distributions be included in the accompanying financial statements. The Plan Administrator is not able to determine the amount of these excluded annuity and custodial accounts and the related income and distributions because records relating to these are not available or do not exist.

#### **NOTE 10 - RISK AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

#### **NOTE 11 - PLAN LOANS**

Participants may borrow from TIAA-CREF using a portion of their plan account as security for the loan. The minimum loan is \$1,000 and may be up to the lesser of \$50,000 or 45% of their combined TIAA and CREF accumulation attributable to participation under the Plan, and 90% of their CREF or TIAA Real Estate accumulation attributable to participation under this Plan. The loans bear interest at rates that range from 4.03% to 5.89% at December 31, 2012, and 4.60% to 5.89% at December 31, 2011, which are commensurate with local prevailing rates as determined periodically by TIAA-CREF. Principal and interest is paid ratably through quarterly ACH transfers by the participant to TIAA-CREF. The Plan Administrator has concluded that these loans are not plan assets and that such arrangements are exempt transactions.

The balances as of December 31, 2012 and 2011, were \$81,861 and \$114,161, respectively. Under the borrowing terms, plan assets of 110% of the loan amount serves as collateral to these loans.

In the event of default, such loans are reportable to plan participants as taxable income but remain outstanding and continue to accrue interest until repaid by the plan participant or the participant becomes eligible to receive a distribution under the terms of the Plan. During the current year, no loan balances went into default. As of December 31, 2012 and 2011, there were \$9,316 and \$8,865 loans in default, respectively.

**AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 12 - INFORMATION CERTIFIED OR PROVIDED BY TIAA-CREF AS ISSUER OF CERTAIN INVESTMENTS AND AS AGENT FOR JPMORGAN CHASE BANK, N.A., CUSTODIAN OF CERTAIN OTHER INVESTMENTS**

The following is a summary of the Plan's asset and income information as of December 31, 2012 and 2011, and for the year ended December 31, 2012, included throughout the Plan's financial statements and supplemental schedule that was prepared by or derived from information provided by the custodian and furnished to the Plan Administrator. The Plan Administrator has obtained a certification from the custodian that information provided to the Plan Administrator by the custodian related to the following assets and income is complete and accurate. Accordingly, as permitted by 29 CFR 2520.103-8 of the United States Department of Labor's (DOL) Rules and Regulation for Reporting and Disclosure under ERISA, the Plan Administrator instructed the Plan's independent auditors not to perform any auditing procedures with respect to information which appears throughout the financial statements and supplemental schedule related to the following assets and income:

	<u>2012</u>	<u>2011</u>
Investments at fair value:		
Variable annuity contracts	\$ <u>30,743,605</u>	<u>27,099,993</u>
Shares of pooled separate account	\$ <u>1,910,873</u>	<u>1,728,991</u>
Shares of registered investment companies	\$ <u>1,575,396</u>	<u>766,031</u>
Investments at contract value:		
Guaranteed annuity contract - non-benefit responsive	\$ <u>20,140,523</u>	<u>19,772,689</u>
Guaranteed annuity contract - benefit responsive	\$ <u>2,897,805</u>	<u>2,756,026</u>
Net appreciation in fair value of investments	\$ <u>4,999,204</u>	
Interest and dividends	\$ <u>245,115</u>	

**S U P P L E M E N T A R Y   I N F O R M A T I O N**

**AMERICAN LIBRARY ASSOCIATION RETIREMENT PLAN**

**SCHEDULE OF ASSETS (HELD AT END OF YEAR)**

**DECEMBER 31, 2012**

Plan 001  
36-2166947

<b>INVESTMENTS:</b>	<u>CURRENT VALUE</u>
*CREF Stock	\$ 15,885,523
*CREF Money Market	1,248,878
*CREF Social Choice	1,366,221
*CREF Bond Market	2,163,742
*CREF Global Equities	3,048,044
*CREF Growth	2,781,950
*CREF Equity Index	2,571,355
*CREF Inflation-Linked Bond	1,677,892
*TIAA Traditional - benefit responsive	2,897,805
*TIAA Traditional - non-benefit responsive	20,140,523
*TIAA Real Estate	1,910,873
*TIAA-CREF Lifecycle 2015 Retirement	5,090
*TIAA-CREF Lifecycle 2020 Retirement	2,789
*TIAA-CREF Lifecycle 2025 Retirement	32,964
*TIAA-CREF Lifecycle 2030 Retirement	117,928
*TIAA-CREF Lifecycle 2035 Retirement	46,926
*TIAA-CREF Lifecycle 2040 Retirement	22,873
*TIAA-CREF Lifecycle 2045 Retirement	44,768
*TIAA-CREF Lifecycle 2050 Retirement	523
*TIAA-CREF Lifecycle 2055 Retirement	117
*TIAA-CREF International Equity Retirement	426,093
*TIAA-CREF Large Cap Value Retirement	341,627
*TIAA-CREF Mid Cap Growth Retirement	98,499
*TIAA-CREF Mid Cap Value Retirement	255,760
*TIAA-CREF Small Cap Equity Retirement	179,439
	<u>\$ 57,268,202</u>

\*Indicated party in interest.

Note: Cost information is not required as per special rule for certain participant - directed investments.

Note: The above data is based upon information that has been certified as complete and accurate by TIAA-CREF, the custodian of certain other investments.