AMERICAN LIBRARY ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

YEARS ENDED AUGUST 31, 2019 AND 2018

C O N T E N T S

CONSOLIDATED FINANCIAL STATEMENTS

American Library Association
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31,

ASSETS	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 758,408	$ 993,841
Short-term investments	4,922,704	9,344,249
Accounts receivable, less allowance for doubtful accounts and returns of $330,781 and $614,367 in 2019 and 2018, respectively	3,179,444	3,567,215
Inventories, less reserves of $378,110 and $341,440 in 2019 and 2018, respectively	1,696,167	1,551,367
Grants receivable	357,238	455,353
Prepaid expenses and other assets	764,100	533,926
Total current assets	11,678,061	16,445,951
INTEREST RECEIVABLE	-	42,064
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	10,848,036	11,355,559
BUILDING HELD FOR SALE	780,849	-
GOODWILL	1,000,000	1,000,000
INTANGIBLE ASSETS, LESS AMORTIZATION	421,000	685,284
LONG-TERM INVESTMENTS	53,726,891	53,360,618
TOTAL ASSETS	$ 78,454,837	$ 82,889,476

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	2019	2018
CURRENT LIABILITIES		
Accounts payable	$ 3,317,445	$ 2,857,174
Accrued liabilities	944,073	949,093
Deferred revenue		
Publication subscriptions	2,081,822	2,266,651
Membership dues	3,912,082	3,944,041
Conference fees	3,701,297	3,092,882
Grants and awards	3,259,528	3,419,998
Line of credit	2,000,000	-
Current portion of long-term debt	900,000	1,100,000
Total current liabilities	20,116,247	17,629,839
DEFERRED GRANTS AND AWARDS	9,296,602	10,283,127
LONG-TERM DEBT, NET OF CURRENT PORTION	-	900,000
NON-CURRENT PORTION OF ACCRUED POST-RETIREMENT BENEFITS	9,233,758	6,950,373
Total liabilities	38,646,607	35,763,339
NET ASSETS		
Without Donor Restrictions	34,841,171	42,297,159
With Donor Restrictions	4,967,059	4,828,978
Total net assets	39,808,230	47,126,137
TOTAL LIABILITIES AND NET ASSETS	$ 78,454,837	$ 82,889,476

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Operating revenues			
Membership dues	$ 8,128,984	$ -	$ 8,128,984
Sales of books and materials	6,533,383	-	6,533,383
Subscriptions	4,181,213	-	4,181,213
Advertising	5,376,966	-	5,376,966
Meetings and conferences	11,728,258	-	11,728,258
Grants and awards	6,069,141	1,241,191	7,310,332
Contributions	1,221,435	298,821	1,520,256
Dividends and interest income			
Short-term investments	659,140	-	659,140
Long-term investments	739,301	18,271	757,572
Other	3,368,490	7,628	3,376,118
Total operating revenues	48,006,311	1,565,911	49,572,222
Net assets released from restrictions			
Satisfaction of program restrictions	1,427,203	(1,427,203)	-
Total revenues and other support	49,433,514	138,708	49,572,222
Expenses			
Program services	42,460,430	-	42,460,430
Management and general	11,200,835	-	11,200,835
Fundraising	607,284	-	607,284
Total expenses	54,268,549	-	54,268,549
Excess (deficiency) of operating revenues and other support over operating expenses	(4,835,035)	138,708	(4,696,327)
Non-operating			
Net periodic pension cost other than service cost	4,531,686	-	4,531,686
Pension-related changes other than net periodic pension costs	(7,004,690)	-	(7,004,690)
Net realized and change in unrealized gains (losses)			
Short-term investments	93,467	-	93,467
Long-term investments	(70,519)	(627)	(71,146)
Change in investment in publishing venture	5,427	-	5,427
Impairment loss	(176,324)	-	(176,324)
CHANGE IN NET ASSETS	(7,455,988)	138,081	(7,317,907)
Net assets, beginning of year	42,297,159	4,828,978	47,126,137
Net assets, end of year	$ 34,841,172	$ 4,967,059	$ 39,808,230

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

	Without Donor Restrictions	With Donor Restrictions	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	1,039,537	-	1,039,537
Long-term investments	422,158	18,281	440,440
Other	3,768,844	9,944	3,778,788
Total operating revenues	52,335,954	953,023	53,288,977
Net assets released from restrictions			
Satisfaction of program restrictions	1,070,916	(1,070,916)	-
Total revenues and other support	53,406,870	(117,893)	53,288,977
Expenses			
Program services	43,133,721	-	43,133,721
Management and general	11,075,451	-	11,075,451
Fundraising	533,560	-	533,560
Total expenses	54,742,732	-	54,742,732
Deficiency of operating revenues and other support over operating expenses	(1,335,862)	(117,893)	(1,453,755)
Non-operating			
Net periodic pension cost other than service cost	5,995,265	-	5,995,265
Pension-related changes other than net periodic pension costs	(611,523)	-	(611,523)
Net realized and change in unrealized gains (losses)			
Short-term investments	(94,263)	-	(94,263)
Long-term investments	3,354,400	49,595	3,403,995
Change in investment in publishing venture	(4,909)	-	(4,909)
CHANGE IN NET ASSETS	7,303,108	(68,298)	7,234,810
Net assets, beginning of year	34,994,051	4,897,276	39,891,327
Net assets, end of year	$ 42,297,159	$ 4,828,978	$ 47,126,137

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

American Library Association
STATEMENT OF FUNCTIONAL EXPENSES
Year ended August 31, 2019

	Program Services								Supporting Services		
	Membership Services	Public Policy and Advocacy	Conferences	Publishing	Diversity, Literacy and Outreach	Intellectual Freedom	Offices for Mission and Values	Total Program Services	Management and General	Fundraising	Total
Grants and other assistance	$ 651,698	$ 121,775	$ -	$ 51,432	$ 294,376	$ -	$ 710,276	$ 1,829,557	$ 119	$ -	$ 1,829,676
Salaries and wages	6,124,157	1,378,477	556,745	3,490,717	343,941	248,161	1,246,568	13,388,766	4,002,068	352,386	17,743,220
Pension plan contributions	342,390	77,068	31,127	195,159	19,229	13,874	69,693	748,540	223,748	19,701	991,989
Other employee benefits	1,140,352	245,010	51,936	626,610	64,858	50,510	249,150	2,428,426	1,030,886	65,271	3,524,583
Payroll taxes	452,495	101,851	41,136	257,918	25,413	18,336	92,105	989,254	295,700	26,037	1,310,991
Professional services	2,217,564	618,591	655,639	217,318	11,244	15,100	1,051,787	4,787,243	1,382,392	18,086	6,187,721
Accounting fees	-	-	-	-	-	-	-	-	119,587	-	119,587
Legal fees	25	55,411	-	-	-	-	-	55,436	198,633	-	254,069
Bank service fees	280,114	168	210,631	33,349	169	53	1,968	526,452	71,374	770	598,596
Advertising and promotion	74,439	-	-	(5,109)	-	-	-	69,330	-	14,800	84,130
Royalties	29,611	-	-	426,791	1,409	20,803	3,036	481,650	-	-	481,650
Office expenses	731,123	133,318	366,037	606,564	8,075	10,215	178,361	2,033,693	409,923	20,361	2,463,977
Information technology	190,356	32,554	89,492	107,963	8,862	5,070	43,413	477,710	713,667	-	1,191,377
Occupancy	31,841	4,128	-	-	-	-	-	35,969	352,254	-	388,223
Travel	1,015,246	285,647	464,624	149,576	89,536	22,645	127,258	2,154,532	358,003	14,389	2,526,924
Conferences and meetings	2,577,487	30,836	3,909,500	65,673	36,588	25,635	375,357	7,021,076	211,580	21,317	7,253,973
Interest expense	9,589	14,147	-	30,396	-	-	-	54,132	65,189	-	119,321
Insurance	-	-	30,035	-	-	-	-	30,035	100,260	-	130,295
Depreciation and amortization	271,265	71,442	4,067	727,839	3,559	2,330	8,768	1,089,270	1,207,939	2,103	2,299,312
Bad debt expense	19,480	-	-	71,265	-	-	-	90,745	-	-	90,745
Publications and printing	1,775,400	4,581	383,827	1,161,105	20,879	97,734	91,743	3,535,269	96,668	29,338	3,661,275
Equipment/furniture rental and repair	47,827	214,014	500	104,014	-	-	-	366,355	265,280	-	631,635
Temporary employees	150,718	11,002	74,148	-	-	490	30,632	266,990	123,317	22,725	413,032
Income taxes (recovery)	-	-	-	-	-	-	-	-	(27,752)	-	(27,752)
	$ 18,133,177	$ 3,400,020	$ 6,869,444	$ 8,318,580	$ 928,138	$ 530,956	$ 4,280,115	$ 42,460,430	$ 11,200,835	$ 607,284	$ 54,268,549

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

American Library Association
STATEMENT OF FUNCTIONAL EXPENSES
Year ended August 31, 2018

	Program Services								Supporting Services		
	Membership Services	Public Policy and Advocacy	Conferences	Publishing	Diversity, Literacy and Outreach	Intellectual Freedom	Offices for Mission and Values	Total Program Services	Management and General	Fundraising	Total
Grants and other assistance	$ 1,409,959	$ 1,075	$ 1,463	$ 44,485	$ 344,503	$ 1,000	$ 461,657	$ 2,264,142	$ -	$ -	$ 2,264,142
Salaries and wages	6,185,743	1,382,479	480,776	3,548,306	321,519	309,135	1,416,499	13,644,457	4,755,422	261,338	18,661,217
Pension plan contributions	342,023	76,440	26,583	196,194	17,777	17,093	78,321	754,431	220,387	14,450	989,268
Other employee benefits	1,110,777	235,810	45,180	608,067	55,850	61,219	269,461	2,386,364	741,411	44,254	3,172,029
Payroll taxes	463,985	103,698	36,062	266,154	24,117	23,188	106,250	1,023,454	298,974	19,603	1,342,031
Professional services	2,345,932	330,514	569,299	182,332	44,978	26,071	376,848	3,875,974	944,333	78,452	4,898,759
Accounting fees	-	253	-	-	-	-	-	253	112,810	-	113,063
Legal fees	-	50,000	-	-	-	-	-	50,000	192,884	-	242,884
Bank service fees	332,092	598	168,592	40,383	131	124	11,992	553,912	185,756	638	740,306
Advertising and promotion	80,928	-	-	14,498	-	-	-	95,426	125	5,425	100,976
Royalties	37,327	-	-	451,414	767	22,323	4,817	516,648	-	-	516,648
Office expenses	262,226	106,703	429,715	954,792	17,964	9,013	195,506	1,975,919	325,048	19,573	2,320,540
Information technology	170,502	22,365	66,670	98,978	8,310	4,560	27,180	398,565	585,338	-	983,903
Occupancy	37,157	3,374	-	-	-	-	-	40,531	310,312	-	350,843
Travel	1,551,950	154,891	456,564	140,086	136,248	16,845	102,268	2,558,852	350,644	12,941	2,922,437
Conferences and meetings	2,746,166	50,675	3,677,139	96,700	32,871	8,424	278,513	6,890,488	222,624	33,441	7,146,553
Interest expense	16,080	25,237	-	54,222	-	-	-	95,539	-	-	95,539
Insurance	15,896	-	28,630	-	-	-	-	44,526	97,468	-	141,994
Depreciation and amortization	310,359	74,315	4,193	834,408	922	1,385	5,689	1,231,271	1,212,861	896	2,445,028
Bad debt expense	24,580	-	-	271,644	-	436	-	296,660	152,968	-	449,628
Publications and printing	1,899,475	17,871	362,495	1,487,738	14,411	95,838	38,849	3,916,677	93,420	24,984	4,035,081
Equipment/furniture rental and repair	36,259	215,013	5,130	118,517	-	-	213	375,132	196,236	-	571,368
Temporary employees	41,057	37,016	39,935	-	25,368	-	753	144,129	48,678	17,565	210,372
Income taxes	371	-	-	-	-	-	-	371	27,752	-	28,123
	$ 19,420,844	$ 2,888,327	$ 6,398,426	$ 9,408,918	$ 1,045,736	$ 596,654	$ 3,374,816	$ 43,133,721	$ 11,075,451	$ 533,560	$ 54,742,732

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

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

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (7,317,907)	$ 7,234,810
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization - property and equipment	2,035,025	2,084,863
Amortization - intangible assets	264,284	360,166
Net realized and unrealized (gains) losses		
Short-term investments	(93,467)	94,263
Long-term investments	71,146	(3,403,995)
Change in investment in publishing venture	5,427	(4,909)
Impairment loss	176,324	-
Increase (decrease) in allowance for doubtful accounts and returns	(283,586)	252,637
Increase in reserve for inventories	36,670	108,389
(Increase) decrease in interest receivable	42,064	(42,064)
Changes in operating assets and liabilities		
Accounts receivable	671,355	(136,017)
Inventories	(181,470)	58,430
Grants receivable	98,115	(217,544)
Prepaid expenses and other assets	(230,174)	535,593
Accounts payable	460,271	(334,185)
Accrued liabilities	(5,020)	29,291
Deferred revenue	(755,368)	9,592,362
Accrued post-retirement benefits	2,283,385	(4,946,242)
Net cash provided by (used in) operating activities	(2,722,926)	11,265,848
Cash flows from investing activities		
Purchase of property and equipment	(2,484,675)	(2,584,455)
Purchase of short-term investments	(642,834)	(8,183,632)
Proceeds from sale of short-term investments	5,178,414	6,916,067
Purchase of long-term investments	(8,246,254)	(16,192,211)
Proceeds from sale of long-term investments	7,782,841	9,789,888
Net cash provided by (used in) investing activities	1,587,492	(10,254,343)
Cash flows from financing activities		
Proceeds from line of credit	2,000,000	-
Principal payments of long-term debt	(1,100,000)	(1,200,000)
Net cash provided by (used in) financing activities	900,000	(1,200,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(235,434)	(188,495)
Cash and cash equivalents, beginning of year	993,841	1,182,336
Cash and cash equivalents, end of year	$ 758,407	$ 993,841
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 108,675	$ 98,639

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 56,000 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.

Without and With Donor Restricted Net Assets

Without donor restricted net assets are:

> Net assets available for use in general operations and not subject to donor-imposed restrictions.

With donor 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 without donor restricted net assets.

Assets designated by donors to be held in perpetuity. Earnings, gains and losses on these restricted net assets are included in without donor restricted 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 with donor restrictions 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 without donor restriction. Restricted earnings are recorded as additions to net assets with donor restrictions until such amounts are expended in accordance with the donor's specifications.

When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions 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 in 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. The Association is currently evaluating the methods of adoption allowed by ASU No. 2014-09 and the effect it is expected to have on its financial position, results of operations, and cash flows and related disclosures.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended August 31, 2019 and 2018 were $84,130 and $100,976, respectively.

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 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.

Building Held for Sale

Building held for sale is recorded at the lower of cost or estimated fair value. At August 31, 2019, property held for sale in the amount of $780,849 consisted of the Association's operating headquarters in Chicago, Illinois.

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. 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.

In May 2019, the FASB issued ASU No. 2019-06, *Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958)*. ASU 2019-06 will allow not-for-profit entities to elect accounting alternatives to simplify their subsequent accounting for goodwill and their accounting for certain identifiable intangible assets they acquire in an acquisition. The alternatives were previously available only to private companies.

Not-for-profit entities that elect the goodwill accounting alternative will amortize goodwill on a straight-line basis over ten years (or less than ten years if it is demonstrated that another useful life is more appropriate) and perform a one-step impairment test at either the entity level or the reporting unit level only when an impairment indicator exists. The Association is currently evaluating the adoption of ASU No. 2019-06 and the effect that it is expected to have on its financial position, results of operations, and related disclosures.

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of operations and changes in net assets. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to programs and supporting services. Information technology expenses related to more than one function are charged to programs and supporting services on the basis of historical activity. Management and general expenses include those expenses that are not directly identifiable with any other specific function. Expenses are reflected by their natural category according to the activity to which they pertain.

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, 2020 to T/B/D, 2021.

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 adopted ASU 2016-14 during fiscal year ended August 31, 2019.

The primary differences between these and previously-issued consolidated financial statements, as they relate to the Association, are: 1) the renaming of the captions in the statement of financial position and statement of activities from unrestricted and temporarily restricted net assets to net assets without donor restrictions and net assets with donor restrictions, respectively; 2) the inclusion of a statement of functional expenses; and 3) the new footnote disclosure of quantitative and qualitative information concerning the Association's liquidity.

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 was 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.

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, 2020 and interim periods within those fiscal years beginning after December 15, 2021. 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.

NOTE C - RESTRICTED INVESTMENTS

The Association has included in investments restricted cash and investment balances of $8,512,403 and $9,134,366 at August 31, 2019 and 2018, respectively, which represents grant funds received in advance to be expended in accordance with specifically-defined purposes, as described in the grant agreement.

NOTE D - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2019 and 2018 are available for the following purposes:

	2019	2018
Subject to expenditure for specified purposes:		
Preparation and publication of reading lists	$ 749,169	$ 794,148
Scholarships, awards and fellowships	4,147,759	3,941,989
Promotion of public libraries	56,740	65,268
Other	13,391	27,573
	$ 4,967,059	$ 4,828,978

Included in the amounts above are the Association's net assets which are restricted to investments in perpetuity, the income from which is expendable to support the following purposes:

	2019	2018
Subject to endowment spending policy:		
Preparation and publication of reading lists	$ 100,000	$ 100,000
Scholarships, awards and fellowships	411,700	411,700
Other	3,000	3,000
	$ 514,700	$ 514,700

Net assets released from donor restrictions during the years ended December 31, 2018 and 2017, because donor restrictions were met by satisfying the stated purpose are as follows:

	2019	2018
Purpose restrictions accomplished:		
Preparation and publication of reading lists	$ 50,145	$ 58,701
Scholarships, awards and fellowships	1,358,044	1,007,446
Promotion of public libraries	8,528	3,387
Other	10,486	1,382
	$ 1,427,203	$ 1,070,916

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, 2019 and 2018, the Association has a $625,000 net receivable (net of $110,000 in allowance reserves) and a $678,000 receivable (net of $120,000 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, 2019 and 2018, were $107,344 and $110,769, respectively. For 2019 and 2018, the Association's portion of the Fund's net loss was $5,427 and $4,909, 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:

	2019	2018
Total assets	$ 136,258	$ 293,634
Total liabilities	720,467	894,122
Revenues	130,411	112,088
Expenses	114,131	126,815

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, 2019 and 2018, are as follows:

	2019	2018
Beginning balance	$ 614,367	$ 361,730
Provision for bad debts	90,745	296,660
Accounts written off	(375,064)	(44,136)
Amounts recovered	733	113
Ending balance	$ 330,781	$ 614,367

NOTE H - PROPERTY AND EQUIPMENT

The components of property and equipment at August 31, 2019 and 2018, are as follows:

	2019	2018
Land	$ 2,263,971	$ 2,443,394
Buildings and improvements	4,664,490	14,452,279
Furniture and other equipment	2,905,936	2,905,936
Technology and related equipment	29,344,627	27,115,020
Total property and equipment	39,179,024	46,916,629
Less accumulated depreciation and amortization	(28,330,988)	(35,561,070)
Property and equipment, net	$ 10,848,036	$ 11,355,559

Unamortized software development costs included in property and equipment at August 31, 2019 and 2018, were $1,344,241 and $1,639,785, respectively. Related amortization expense was $457,140 and $507,389 in 2019 and 2018, respectively. Property and equipment depreciation and amortization expense was $1,577,888 and $1,577,474 for the years ended August 31, 2019 and 2018, 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, 2019 and 2018.

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:

	August 31, 2019			
Intangible Asset	Carrying Amount	Accumulated Amortization	Net	Estimated Useful Life (Years)
Trademarks and brand extension	$ 1,684,000	$ (1,263,000)	$ 421,000	10
Co-publishing relationship	998,000	(998,000)	-	7
Distribution relationship	356,000	(356,000)	-	7
Backlist	516,000	(516,000)	-	3
Customer relationships	92,000	(92,000)	-	7
Online and catalog	150,000	(150,000)	-	3
Non-compete agreement	74,000	(74,000)	-	4
	$ 3,870,000	$ (3,449,000)	$ 421,000	

	August 31, 2018			
Intangible Asset	Carrying Amount	Accumulated Amortization	Net	Estimated Useful Life (Years)
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	74,000	(74,000)	-	4
	$ 3,870,000	$ (3,184,716)	$ 685,284	

Amortization expense charged to the operations of the Association was $264,284 and $360,166 for the years ended August 31, 2019 and 2018, respectively. Amortization has been computed based on the estimated useful lives described above.

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

2020	$ 168,400
2021	168,400
2022	84,200
Total	$ 421,000

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, 2019 and 2018, 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.

NOTE K - INVESTMENTS

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

Type	2019	2018
Short-term investments		
Cash	$ 656,323	$ 2,203,924
Certificates of deposit	1,000,000	1,000,000
Corporate securities	2,341,142	4,928,830
U.S. Government securities	925,239	1,211,495
Total short-term investments	$ 4,922,704	$ 9,344,249
Long-term investments		
Cash	$ 643,354	$ 1,527,106
Common stock	23,595,546	23,013,109
Certificates of deposit	7,000,000	6,000,000
Corporate securities	18,164,876	19,007,169
Fund of funds hedge fund	546,962	684,289
Hedge fund	1,084,220	1,057,624
Private equity funds	2,691,933	2,071,321
Total long-term investments	$ 53,726,891	$ 53,360,618

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

	2019	2018
Unrealized gain (loss) on investments	$ (1,164,406)	$ 1,975,324
Net realized gain on the sale of investments	1,191,639	1,560,263
Investment fees	(316,665)	(326,848)
Dividends and interest income	1,728,465	1,580,970
	$ 1,439,033	$ 4,789,709

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.

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:

	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Common stock	$23,965,864	-	-	$23,965,864
Certificates of deposit	-	8,000,000	-	8,000,000
U.S. Government securities	583,084	342,155	-	925,239
Corporate securities	19,786,828	348,872	-	20,135,700
	44,335,776	8,691,027	-	53,026,803
Assets measured at NAV[a]				4,323,115
Total assets at fair value				$ 57,349,918

	2018			
	Level 1	Level 2	Level 3	Total
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	22,922,925	684,772	-	23,607,697
	47,098,278	8,062,325	-	55,160,603
Assets measured at NAV[a]				3,813,234
Total assets at fair value				$ 58,973,837

[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, 2019 and 2018, 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, 2019 and 2018, the Association had future unfunded commitments in Level 3 investments of $3,196,250 and $781,250, respectively.

The following table summarizes investments measured at fair value based on the NAV per share practical expedient as of August 31, 2019 and 2018.

	2019			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Fund of funds hedge fund(a)	$ 546,962	$ -	Quarterly	Up to 120 days
Hedge fund (b)	1,084,220	-	Quarterly	Up to 120 days
Private equity funds (c,d)	2,691,933	3,196,250	Quarterly	Up to 120 days
Total investments recorded at NAV	$4,323,115	$ 3,196,250		

	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)	2,071,321	781,250	Quarterly	Up to 120 days
Total investments recorded at NAV	$3,813,234	$ 781,250		

(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 (the "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 retains in perpetuity (1) the original value of gifts donated to the Endowment, (2) the original value of subsequent gifts to the Endowment, and (3) accumulations to the 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 retained in perpetuity is subject to appropriation 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 net assets with donor restrictions. These deficiencies could result from unfavorable market fluctuations that occur shortly after the investment of new 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, 2019 or 2018.

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.

Endowment net asset composition as of August 31, 2019 and 2018 is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$1,278,455	$ 1,278,455
Board-designated endowment funds	14,532,943	-	14,532,943
Total funds	$ 14,532,943	$ 1,278,455	$ 15,811,398

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 1,397,575	$ 1,397,575
Board-designated endowment funds	14,898,944	-	14,898,944
Total funds	$ 14,898,944	$ 1,397,575	$ 16,296,519

Changes in endowment net assets for the years ended August 31, 2019 and 2018 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 31, 2017	$ 14,258,787	$ 1,442,170	$ 15,700,957
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	$ 14,898,944	$ 1,397,575	$16,296,519

Additions and transfers	4,162	-	4,162
Dividends and interest	-	22,291	22,291
Net losses (realized and unrealized)	(59,361)	(766)	(60,127)
Appropriation of endowment assets for expenditures	(310,802)	(140,645)	(451,447)
Endowment net assets, August 31, 2019	$ 14,532,943	$ 1,278,455	$15,811,398

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, 2019 and 2018, the outstanding balance on the line of credit was $2,000,000 and -0-, respectively.

NOTE O - EMPLOYEE RETIREMENT PLANS

The Association has a defined contribution retirement plan ("Plan") covering all employees of the Association who may make deferral contributions immediately upon hire. Regular full-time employees who have completed two years of service become eligible for the Association match and nondiscretionary contributions. The Association provides a contribution to all eligible 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 eligible employees. Contributions to the Plan are used to purchase separate annuity contracts for each participating employee. The cost of this Plan, which is included in payroll expenses, was $991,989 and $989,269 in 2019 and 2018, 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 $29,913 and $-0- for the years ended August 31, 2019 and 2018, respectively.

NOTE P - COMMITMENTS AND CONTINGENCIES

The Association leases certain office facilities and equipment.

Operating Leases

In addition to the future minimum lease payments described in Note T, Subsequent Events, 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, 2019, are as follows:

Years ending August 31,	
2020	$ 74,475
2021	56,457
2022	54,760
2023	25,310
2024	23,641
Total	$ 234,643

Total rental expense under operating leases was $107,509 and $127,727 in 2019 and 2018, 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.

Maturities of long-term debt are as follows:

Year ending August 31, 2020	$ 900,000

Interest expense amounted to $118,014 and $94,233 in 2019 and 2018, 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, 2019 and 2018. 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 $-0- and $27,752 in 2019 and 2018, 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 $499 and $371 for the calendar years 2018 and 2017, respectively.

The tax years ended 2015, 2016 and 2017 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, 2019 and 2018.

NOTE S - 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:

	2019	2018
Benefit obligation, beginning of year	$ 7,305,786	$ 12,266,478
Service cost	138,132	769,561
Interest cost	302,943	513,466
Curtailments	-	(5,609,718)
Actuarial loss (gain)	2,170,060	(287,490)
Retiree contributions	174,913	183,979
Benefits paid, net of Medicare Part D subsidy	(476,533)	(530,490)
Benefit obligation, end of year	$ 9,615,301	$ 7,305,786

The current portion of the benefit obligation at August 31, 2019 and 2018, is $381,543 and $355,413, respectively, and is included in accrued liabilities in the accompanying consolidated statements of financial position.

The summary of the changes in plan assets as of August 31, 2019 and 2018 is as follows:

	2019	2018
Plan assets at fair value, beginning of year	$ -	$ -
Retiree contributions	174,913	183,979
Employer contributions, net of Medicare Part D subsidy	301,620	346,511
Benefits paid	(476,533)	(530,490)
Plan assets at fair value, end of year	$ -	$ -
Funded status at end of year	$ (9,615,301)	$ (7,305,786)

The Association anticipates contributions of $381,543 to plan assets will be made during 2020. Estimated benefit payments are $381,543 in 2020, $365,813 in 2021, $365,790 in 2022, $403,822 in 2023, $443,477 in 2024 and $2,673,042 in 2025 through 2029.

Net periodic benefit cost is comprised of the following:

	2019	2018
Service cost	$ 138,132	$ 769,561
Interest cost	302,943	513,466
Amortization of unrecognized prior service cost	(97,322)	(97,322)
Amortization of unrecognized net gain	(4,737,308)	(801,691)
Curtailments	-	(5,609,718)
	(4,531,687)	(5,995,265)
Total net periodic benefit cost (recovery)	$ (4,393,556)	$ (5,225,704)

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

	2019	2018
Prior service cost	$ (756,192)	$(853,515)
Net gain	(3,866,304)	(10,773,671)
Total included in without donor restricted net assets	$ (4,622,496)	$(11,627,186)

Other post-retirement employee benefit-related cost 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:

	2019	2018
Net actuarial gain (loss)	$ 2,170,060	$(287,490)
Amortization of net gain	4,737,308	801,691
Amortization of previously unrecognized prior service cost	97,322	97,322
Total benefit-related cost other than net periodic benefit cost	$ 7,004,690	$ 611,523

Assumptions as of August 31, 2019 and 2018 used to determine the benefit obligation are as follows:

	2019	2018
Weighted-average discount rate	3.25%	4.25%

The gross weighted-average annual assumed rate of increase in the per capita cost of covered benefits (healthcare cost trend rate) is 7% for 2019 and is assumed to decrease gradually to 5% for 2025 and remain at that level thereafter. The gross dental trend rate is 5% for 2019 and is assumed to remain at that level thereafter. A 1% increase in the healthcare cost trend rate would increase the benefit obligation by $1,345,730 and a 1% decrease would decrease the benefit obligation by $1,120,224. Additionally, a 1% increase in the healthcare cost trend rate would increase combined service and interest cost by $60,672 and a 1% decrease would decrease combined service and interest cost by $50,746.

NOTE T - SUBSEQUENT EVENTS

The Association evaluated its August 31, 2019 consolidated financial statements for subsequent events through T/B/D, 2020, 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 other than the items noted below:

Lease agreements

In November 2019, the Association entered into 15-year lease agreements for new office space. The lease agreements require payment of base rent plus operating expenses, offset by abatement of the first fifteen monthly installments of the base rent, provided the Association is not in default of any of the terms of the lease agreements. The Association can terminate the leases at the end of the twelfth lease year, with a one-year notice. The terms of the lease agreements provide for one 5-year option to renew the leases. As of T/B/D, 2020, it is assumed that rent will commence in May 2020.

Future minimum lease payments are as follows:

Years ending August 31,	
2020	$ -
2021	106,086
2022	1,283,635
2023	1,315,726
2024	1,348,619
Thereafter	16,656,741
	$ 20,710,807

Letter of Credit

To secure performance under the terms of the lease agreements, the Association obtained a Letter of Credit in the amount of $1,075,289 with an expiration date of June 1, 2021. If there are no events of default or breach by the Association, the Letter of Credit deposit decreases to an aggregate amount of:

$716,860 on the first day of the sixth lease year
$358,430 on the first day of the ninth lease year
$-0- on the first day on the twelfth lease year

Financing agreement
In connection with the move to a new office space, the Association has entered into a financing agreement for the lease of equipment in the amount of $2,886,138.

New grants
On November 15, 2019, the Association received notice of an award for a $2,000,000 grant to be used to fund a cohort of ten libraries with proven models to increase the number of low-income, underrepresented business creators they serve.
On November 22, 2019, the Association received notice of an award for a $1,500,000 grant to support the work of *Libraries Transforming Communities*.

NOTE U – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position dated August 31, 2019 and 2018, comprise the following:

		2019
Cash and cash equivalents		$ 758,408
Short-term investments		4,922,704
Accounts receivable, net		3,179,445
Grants receivable		357,238
Investments		635,295
Loan receivable - APA		-
		$ 9,853,090

The financial assets listed above represent the amounts that are available for operations.

The Association's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, except for amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Association's board-designated endowment of $ 14,532,943 is subject to an annual spending rate of 5% as described in Note M. Although the Association does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the Association's liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs and money market funds.

NOTE V – BUILDING HELD FOR SALE

On September 5, 2018, the Association listed its Headquarters buildings at 40 and 50 East Huron Street in Chicago, Illinois. The components of the building held for sale are as follows:

Land	$ 179,423
Buildings and improvements	9,866,533
Total land, buildings and improvements	10,045,956
Less accumulated depreciation	(9,265,107)
Land, buildings and improvements, net	$ 780,849

On November 26, 2019, the Association closed on the sale of its Headquarters buildings with a sales price of $6,750,000.

NOTE W - RECLASSIFICATIONS

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform with the year 2019 presentation.

SUPPLEMENTARY INFORMATION

American Library Association **Exhibit I**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

August 31, 2019 (with comparative totals as of August 31, 2018)

	2019										
ASSETS	Operating Fund	Plant Fund	Grants and Awards Fund	Long-Term Investments Fund	Total all funds	ALA/APA	Edwards Trust	Subtotal	Eliminations	Total	2018 Total
CURRENT ASSETS											
Cash and cash equivalents	$ 718,264	$ -	$ -	$ -	$ 718,264	$ 40,144	$ -	$ 758,408	$ -	$ 758,408	$ 993,841
Short-term investments	4,922,704	-	-	-	4,922,704	-	-	4,922,704	-	4,922,704	9,344,249
Accounts receivable, less allowance for doubtful accounts and returns of $330,781 and $614,367 in 2019 and 2018, respectively	3,012,919	-	-	113,081	3,126,000	4,209	-	3,130,209	49,235	3,179,444	3,567,215
Inventories, less reserves of $378,110 and $341,440 in 2019 and 2018, respectively	1,695,243	-	-	-	1,695,243	924	-	1,696,167	-	1,696,167	1,551,367
Grants receivable	-	-	357,238	-	357,238	-	-	357,238	-	357,238	455,353
Prepaid expenses and other assets	764,100	-	-	-	764,100	-	-	764,100	-	764,100	533,926
Total current assets	11,113,230	-	357,238	113,081	11,583,549	45,277	-	11,628,826	49,235	11,678,061	16,445,951
INTEREST RECEIVABLE	-	-	-	-	-	-	-	-	-	-	42,064
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	-	10,848,036	-	-	10,848,036		-	10,848,036	-	10,848,036	11,355,559
BUILDING HELD FOR SALE		780,849	-	-	780,849		-	780,849	-	780,849	-
GOODWILL	1,000,000	-	-	-	1,000,000		-	1,000,000	-	1,000,000	1,000,000
INTANGIBLE ASSETS, LESS AMORTIZATION	421,000	-	-	-	421,000		-	421,000	-	421,000	685,284
LONG-TERM INVESTMENTS	7,000,000	-	-	45,682,619	52,682,619		1,044,272	53,726,891	-	53,726,891	53,360,618
DUE (TO) FROM OTHER FUNDS	(4,324,480)	(10,737,950)	13,268,000	1,798,859	4,429	50,754	(5,948)	49,235	(49,235)	-	-
TOTAL ASSETS	$ 15,209,750	$ 890,935	$ 13,625,238	$ 47,594,559	$ 77,320,482	$ 96,031	$ 1,038,324	$ 78,454,837	$ -	$ 78,454,837	$ 82,889,476

See independent auditor's report on supplementary information.

LIABILITIES AND NET ASSETS	2019 Operating Fund	Plant Fund	Grants and Awards Fund	Long-Term Investments Fund	Total all funds	ALA/APA	Edwards Trust	Subtotal	Eliminations	Total	2018 Total
CURRENT LIABILITIES											
Accounts payable	$ 3,317,445	$ -	$ -	$ -	$ 3,317,445	$ -	$ -	$ 3,317,445	$ -	$ 3,317,445	$ 2,857,174
Accrued liabilities	953,138	(9,065)	-	-	944,073	-	-	944,073	-	944,073	949,093
Deferred revenue											
Publication subscriptions	2,081,551	-	-	-	2,081,551	271	-	2,081,822	-	2,081,822	2,266,651
Membership dues	3,912,082	-	-	-	3,912,082	-	-	3,912,082	-	3,912,082	3,944,041
Conference fees	3,701,297	-	-	-	3,701,297	-	-	3,701,297	-	3,701,297	3,092,882
Grants and awards	-	-	3,259,528	-	3,259,528	-	-	3,259,528	-	3,259,528	3,419,998
Line of credit	2,000,000	-	-	-	2,000,000	-	-	2,000,000	-	2,000,000	-
Current portion of long-term debt		900,000			900,000	-	-	900,000	-	900,000	1,100,000
Total current liabilities	15,965,513	890,935	3,259,528	-	20,115,976	271	-	20,116,247	-	20,116,247	17,629,839
DEFERRED GRANTS AND AWARDS	-	-	9,296,602	-	9,296,602	-	-	9,296,602	-	9,296,602	10,283,127
LONG-TERM DEBT, NET OF CURRENT PORTION	-	-	-	-	-	-	-	-	-	-	900,000
NON-CURRENT PORTION OF ACCRUED POST-RETIREMENT BENEFITS	9,233,758	-	-	-	9,233,758	-	-	9,233,758	-	9,233,758	6,950,373
Total liabilities	25,199,271	890,935	12,556,130	-	38,646,336	271	-	38,646,607	-	38,646,607	35,763,339
NET ASSETS (DEFICIT)											
Without Donor Restrictions	(9,989,521)	-	-	44,396,794	34,407,273	95,760	338,138	34,841,171	-	34,841,171	42,297,159
With Donor Restrictions	-	-	1,069,108	3,197,765	4,266,873	-	700,186	4,967,059	-	4,967,059	4,828,978
Total net assets (deficit)	(9,989,521)	-	1,069,108	47,594,559	38,674,146	95,760	1,038,324	39,808,230	-	39,808,230	47,126,137
TOTAL LIABILITIES AND NET ASSETS	$ 15,209,750	$ 890,935	$ 13,625,238	$ 47,594,559	$ 77,320,482	$ 96,031	$ 1,038,324	$ 78,454,837	$ -	$ 78,454,837	$ 82,889,476

See independent auditor's report on supplementary information.

American Library Association
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended August 31, 2019 (with comparative totals for the year ended August 31, 2018)

Exhibit II

	2019																		
	Without Donor Restrictions													With Donor Restrictions					
	American Library Association																		
	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 Without Donor Restrictions	American Library Association Long-Term Investments Fund/ Grants and Awards Fund	Edwards Trust	American Library Association Long-Term Investments Fund	Total With Donor Restrictions	Total	2018 Total
Revenues and other support																			
Operating revenues																			
Membership dues	$ 5,387,110	$ 2,548,162	$ 193,712	$ -	$ -	$ 8,128,984	$ -	$ -	$ -	$ 8,128,984	$ -	$ -	$ 8,128,984	$ -	$ -	$ -	$ -	$ 8,128,984	$ 8,293,466
Sales of books and materials	4,279,606	1,947,161	264,449	-	-	6,491,216	-	-	38,394	6,529,610	3,773	-	6,533,383	-	-	-	-	6,533,383	7,911,642
Subscriptions	2,604,191	1,490,459	2,794	-	-	4,097,444	-	-	-	4,097,444	83,769	-	4,181,213	-	-	-	-	4,181,213	4,402,061
Advertising	4,327,051	1,047,565	2,350	-	-	5,376,966	-	-	-	5,376,966	-	-	5,376,966	-	-	-	-	5,376,966	5,594,847
Meetings and conferences	8,240,158	3,388,126	65,305	-	-	11,693,589	-	-	16,241	11,709,830	18,428	-	11,728,258	-	-	-	-	11,728,258	13,146,986
Grants and awards	-	-	-	-	-	-	-	6,069,141		6,069,141	-	-	6,069,141	1,241,191	-	-	1,241,191	7,310,332	6,970,509
Contributions	228,752	964,755	23,842	-	-	1,217,349	-	-		1,217,349	4,086	-	1,221,435	298,821	-	-	298,821	1,520,256	1,710,701
Dividends and interest income																			
Short-term investments	659,140	-	-	-	-	659,140	-	-		659,140	-	-	659,140		-	-	-	659,140	1,039,537
Long-term investments	-	-	-	-	-	-	-	-	709,697	709,697	-	29,604	739,301	18,271	-	-	18,271	757,572	440,440
Other	1,149,418	2,048,322	134,812	-	-	3,332,552	-	-	3,083	3,335,635	32,855	-	3,368,490	7,628	-	-	7,628	3,376,118	3,778,788
Total operating revenues	26,875,426	13,434,550	687,264	-	-	40,997,240	-	6,069,141	767,415	47,833,796	142,911	29,604	48,006,311	1,565,911	-	-	1,565,911	49,572,222	53,288,977
Net assets released from restrictions																			
Satisfaction of program restrictions	-	-	-	-	-	-	-	846,538	558,902	1,405,440	-	21,763	1,427,203	(1,405,440)	(21,763)	-	(1,427,203)	-	-
Total revenues and other support	26,875,426	13,434,550	687,264	-	-	40,997,240	-	6,915,679	1,326,317	49,239,236	142,911	51,367	49,433,514	160,471	(21,763)	-	138,708	49,572,222	53,288,977
Expenses (recovery)																			
Payroll	15,037,846	6,482,426	40,153	138,132	-	21,698,557	-	1,567,741	65,938	23,332,236	47,196	-	23,379,432	-	-	-	-	23,379,432	24,074,655
Outside services	5,316,649	1,376,294	43,982	-	-	6,736,925	139,298	2,350,237	64,280	9,290,740	10,039	6,582	9,307,361	-	-	-	-	9,307,361	7,694,933
Travel	1,353,910	569,281	13,707	-	-	1,936,898	-	517,546	71,089	2,525,533	1,388	-	2,526,921	-	-	-	-	2,526,921	2,922,438
Meetings and conferences	4,373,286	2,479,998	202,697	-	-	7,055,981	-	1,176,268	48,406	8,280,655	438	-	8,281,093	-	-	-	-	8,281,093	8,789,951
Scholarships and awards	-	-	-	-	-	-	-	-	442,415	442,415	-	1,500	443,915	-	-	-	-	443,915	418,431
Publications	2,448,029	982,710	141,793	-	-	3,572,532	-	82,347	22,688	3,677,567	2,242	3,527	3,683,336	-	-	-	-	3,683,336	4,090,734
Administration	4,662,031	873,933	21,091	-	-	5,557,055	304,751	568,403	170,726	6,600,935	40,426	5,130	6,646,491	-	-	-	-	6,646,491	6,751,590
Inter-fund transfers	190,546	(176,894)	31,872	-	11,105	56,629	(444,049)	72,390	310,006	(5,024)	-	5,024	-	-	-	-	-	-	-
Total expenses (recovery) before overhead allocation	33,382,297	12,587,748	495,295	138,132	11,105	46,614,577	-	6,334,932	1,195,548	54,145,057	101,729	21,763	54,268,549	-	-	-	-	54,268,549	54,742,732
Overhead allocation	(2,163,472)	1,563,354	19,371	-	-	(580,747)	-	580,747	-	-	-	-	-	-	-	-	-	-	-
Total expenses (recovery)	31,218,825	14,151,102	514,666	138,132	11,105	46,033,830	-	6,915,679	1,195,548	54,145,057	101,729	21,763	54,268,549	-	-	-	-	54,268,549	54,742,732
Excess (deficiency) of operating revenues and other support over operating expenses	(4,343,399)	(716,552)	172,598	(138,132)	(11,105)	(5,036,590)	-	-	130,769	(4,905,821)	41,182	29,604	(4,835,035)	160,471	(21,763)	-	138,708	(4,696,327)	(1,453,755)
Non-operating																			
Net periodic pension cost other than service cost	-	-	-	4,531,686		4,531,686				4,531,686			4,531,686	-	-	-	-	4,531,686	5,995,265
Pension-related changes other than net periodic pension costs	-	-	-	(7,004,690)		(7,004,690)				(7,004,690)			(7,004,690)					(7,004,690)	(611,523)
Net realized and change in unrealized gains (losses)																			
Short-term investments	93,467	-	-	-	-	93,467	-		-	93,467	-	-	93,467	-	-	-	-	93,467	(94,263)
Long-term investments	-	-	-	-	-	-	-		(67,942)	(67,942)	-	(2,577)	(70,519)	(627)	-	-	(627)	(71,146)	3,403,995
Change in investment in publishing venture	5,427	-	-	-	-	5,427	-		-	5,427	-	-	5,427	-	-	-	-	5,427	(4,909)
Impairment loss	-	(176,324)	-	-	-	(176,324)	-		-	(176,324)	-	-	(176,324)	-	-	-	-	(176,324)	-
CHANGE IN NET ASSETS BEFORE INTER-FUND TRANSFERS	(4,244,505)	(892,876)	172,598	(2,611,136)	(11,105)	(7,587,024)	-	-	62,827	(7,524,197)	41,182	27,027	(7,455,988)	159,844	(21,763)	-	138,081	(7,317,907)	7,234,810
Inter-fund transfers	-	(149,999)	-	-	-	(149,999)	-		149,999	-	-	-	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	(4,244,505)	(1,042,875)	172,598	(2,611,136)	(11,105)	(7,737,023)	-	-	212,826	(7,524,197)	41,182	27,027	(7,455,988)	159,844	(21,763)	-	138,081	(7,317,907)	7,234,810
Net assets (deficit), beginning 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	514,700	4,828,978	47,126,137	39,891,327
Net assets (deficit), end of year	$ (9,892,303)	$ 13,808,917	$ 2,306,726	$ (15,276,214)	$ (936,647)	$ (9,989,521)	$ -	$ -	$ 44,396,794	$ 34,407,273	$ 95,760	$ 338,138	$ 34,841,171	$ 3,752,173	$ 700,186	$ 514,700	$ 4,967,059	$ 39,808,230	$ 47,126,137

See independent auditor's report on supplementary information.

ALA Allied Professional Association, Inc. **Exhibit III**

STATEMENTS OF FINANCIAL POSITION

August 31,

ASSETS	2019	2018
Cash and cash equivalents	$ 40,144	$ 18,273
Accounts receivable	4,209	-
Inventories	924	924
Due from General Fund	50,754	77,096
TOTAL ASSETS	$ 96,031	$ 96,293

LIABILITIES AND NET ASSETS (DEFICIT)

LIABILITIES		
Deferred subscription revenue	$ 271	$ 258
Start-up advance	-	41,457
Total liabilities	271	41,715
NET ASSETS		
Unrestricted net assets	95,760	54,578
TOTAL LIABILITIES AND NET ASSETS	$ 96,031	$ 96,293

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 III - Continued

	2019	2018
Revenues and other support		
Operating revenues and other support		
Sales of books and materials	$ 3,773	$ 3,449
Continuing education	32,855	54,000
Subscriptions	83,769	84,961
Meetings and conferences	18,428	9,015
Contributions	4,086	1,970
Other	-	34
Total revenues and other support	142,911	153,429
Expenses		
Payroll and related expenses	47,196	38,354
Outside services	10,039	9,235
Travel and related expenses	1,388	756
Meetings and conferences	438	1,825
Publications	2,242	949
Administration	40,426	38,886
Total expenses	101,729	90,005
CHANGE IN NET ASSETS	41,182	63,424
Net assets (deficit), beginning of year	54,578	(8,846)
Net assets, end of year	$ 95,760	$ 54,578

See independent auditor's report on supplementary information.

ALA Allied Professional Association, Inc. **Exhibit III - Continued**

STATEMENTS OF CASH FLOWS

Years ended August 31,

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 41,182	$ 63,424
Adjustments to reconcile change in net assets to		
net cash provided by (used in) operating activities		
Changes in operating assets and liabilities		
Accounts receivable	(4,209)	-
Due from General Fund	26,342	14,730
Deferred revenue	13	(13)
Net cash provided by (used in) operating activities	63,328	78,141
Cash flows used in financing activities		
Loan payments to the Association	(41,457)	(63,543)
Net increase in cash and cash equivalents	21,871	14,598
Cash and cash equivalents, beginning of year	18,273	3,675
Cash and cash equivalents, end of year	$ 40,144	$ 18,273

See independent auditor's report on supplementary information.