T/B/D
Chicago, Illinois

Executive Board
American Library Association
50 East Huron Street
Chicago, Illinois 60611

Attention: Ms. Mary Ghikas, ALA Executive Director

We have audited the consolidated financial statements of American Library Association (Association) for the year ended August 31, 2019, and we will issue our report thereon dated T/B/D. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 6, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the consolidated financial statements. As described in Note 2, the Association changed accounting policies related to the presentation of its consolidated financial statements by adopting FASB Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, in 2019. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used, except for the liquidity disclosure which was only required in the year of adoption. In addition, the Association changed its accounting policies related to the presentation of net periodic pension cost and postretirement benefit cost by adopting FASB Accounting Standards Update (ASU) No. 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, in 2019. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

1. 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.

2. Inventories are stated net of a reserve for excess and obsolete items. Reserves for obsolete inventories are based on estimated future usage as related to quantities of stock on hand.

3. Depreciation and amortization expenses for property and equipment are based upon actual useful lives of assets along with management judgment.

4. Intangible assets were determined at their estimated fair value at the time of the acquisition of Neal Schuman Publishers, Inc. and are stated at cost less accumulated amortization. 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. The amortization expense for intangible assets is based upon estimated useful lives of assets along with management judgment. The Association performs an annual impairment analysis of intangibles and if impaired, the intangibles are written down.

5. Goodwill was determined at its estimated fair value at the time of the acquisition of Neal Schuman Publishers, Inc. by using 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. The Association performs an annual impairment analysis of goodwill and if impaired, the goodwill is written down.

6. The Association has income derived from certain advertising activities that has been determined to be unrelated business income. Unrelated business income is taxed in accordance with Federal and state income tax regulations. If an unrelated business tax liability is present, the estimated calculation based on stated taxable weights is calculated and recorded in the consolidated financial statements.

7. Investments are stated at fair value, except for investment in cash, which are at amortized cost. Investments with values that are based on quoted market prices in active markets are classified as Level 1. Investments that trade in markets that are not considered to be active, but are valued based upon quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified as Level 2. Investments classified as level 3 investments have significant unobservable inputs, as they trade infrequently or not at all.

8. Accrued post-retirement benefits are calculated by a third party actuary based upon census data, plan provisions, and health care cost related information provided by management to the actuary. Management has reviewed the key assumptions in determining this calculation and believes the estimate to be reasonable.

9. Functional expenses that are 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.

We evaluated the key factors and assumptions to the accounting estimates described above in determining that they are reasonable in relationship to the consolidated financial statements taken as a whole.

The consolidated financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered delays in obtaining supporting documentation from management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the consolidated financial statements taken as a whole. The attached schedule summarizes uncorrected misstatements of the consolidated financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated [Date of Management Representation Letter].

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations.

If a consultation involves application of an accounting principle to the Association's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of the Executive Board and management of American Library Association and is not intended to be, and should not be, used by anyone other than these specified parties.

[FIRM SIGNATURE]

Chicago, Illinois
T/B/D

American Library Association
Summary of Uncorrected Misstatements
8/31/2019

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF ACTIVITIES		
Description	Assets DR(CR)	Liabilities DR(CR)	Revenue DR(CR)	Expenses DR(CR)	Net Assets DR(CR)
Reversing effects of prior year waived adjustments -					-
None					-
Current year effect of unrecorded misstatements -					
To record extrapolated error in inventory price testing.	(28,654)			28,654	28,654
To record an increase in the inventory reserve for obsolescence for AED.	(92,501)			92,501	92,501
To record extrapolated error for deferred conferences revenue amount that should have been recorded in 2018 but was recognized in 2019.			42,615		(42,615)
Total	(121,155)	-	42,615	121,155	78,540

Net Adjustments to Net Assets 78,540

Cumulative Misstatement Errors 78,540