

T/B/D

Chicago, Illinois

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

Attention: Ms. Mary Ghikas, ALA Executive Director, Interim,

This letter is to inform the Executive Board of American Library Association (Association) about significant matters related to the conduct of our audit as of and for the year ended August 31, 2017, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Uniform Guidance.

#### **The Respective Responsibilities of the Auditor and Management**

Our responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards* and Uniform Guidance has been described to you in our arrangement letter dated April 25, 2017. The audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

#### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We have issued a separate communication dated July 13, 2017, regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

#### **Significant Accounting Practices, Including Policies, Estimates and Disclosures**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Association are described in Note B to the consolidated financial statements. As described in Note 2 the Association changed the following accounting policies during the current year:

- FASB Accounting Standards Update No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40), during the year ended August 31, 2017.
- ASU No. 2017-04 which simplifies the test of goodwill impairment, eliminating Step 2 from the goodwill impairment test.

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.

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 as a whole.

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

#### **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. 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 T/B/D.

#### **Consultation with Other 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 consolidated 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.

### **Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to American Library Association.

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.

American Library Association  
Summary of Uncorrected Misstatements  
8/31/2017

Description	STATEMENT OF FINANCIAL POSITION		STATEMENT OF ACTIVITIES		Net Assets DR(CR)
	Assets DR(CR)	Liabilities DR(CR)	Revenue	Expenses DR(CR)	
To record extrapolated error in investment price testing	(20,336)		20,336		(20,336)
To record additional Accrued Post retirement accrual related to not including one employee in actuary year-end calculation		(105,000)		105,000	(105,000)
To record unconditional grant in current year income which was initially recorded in deferred revenue.		330,000	(330,000)		330,000
To record an increase in the inventory reserve for obsolescence.	(124,130)			124,130	(124,130)
Total	(144,466)	225,000	(309,664)	229,130	80,534

Net Adjustments to Net Assets 80,534

Cumulative Misstatement Errors 80,534