



## Independent Auditor's Report

To the Board of Directors  
Special Libraries Association, Inc.  
Alexandria, Virginia, U.S.A.

We have audited the accompanying balance sheet of the Special Libraries Association, Inc. as of December 31, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Special Libraries Association, Inc. at December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Langan Associates, P.C.*

Arlington, Virginia, U.S.A.  
October 6, 2005

## SPECIAL LIBRARIES ASSOCIATION, INC.

Balance Sheet  
December 31, 2004

	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents (cash held on behalf of others \$671,764)	\$ 1,948,639	\$ 1,880,808	\$ 54,916	\$ 12,915
Accounts receivable	175,945	175,945		
Due (to)/from other funds	-	53,453	(39,545)	(13,908)
Prepaid expenses and other assets	242,517	242,517		
Total current assets	<u>2,367,101</u>	<u>2,352,723</u>	<u>15,371</u>	<u>(993)</u>
Investments	4,591,122	3,616,828	847,221	127,073
<b>Property and equipment:</b>				
Land	449,754	449,754		
Building and building improvements	4,272,889	4,272,889		
Furniture, equipment and software	1,117,509	1,117,509		
	<u>5,840,152</u>	<u>5,840,152</u>		
Less accumulated depreciation	(804,205)	(804,205)		
	<u>5,035,947</u>	<u>5,035,947</u>		
Total assets	<u>\$ 11,994,170</u>	<u>\$ 11,005,498</u>	<u>\$ 862,592</u>	<u>\$ 126,080</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 985,615	\$ 985,615		
Deferred revenue	1,645,741	1,645,741		
Total current liabilities	<u>2,631,356</u>	<u>2,631,356</u>		
<b>Commitments</b>				
<b>Net assets:</b>				
Unrestricted:				
General	1,034,473	1,034,473		
Designated:				
General reserve	1,944,600	1,944,600		
Computer	(147,539)	(147,539)		
Stephen I. Goldspiel Memorial	172,592	172,592		
SLA endowment fund	822,772	822,772		
Coplen	24,353	24,353		
Building reserve	4,522,891	4,522,891		
	<u>7,339,669</u>	<u>7,339,669</u>		
Total unrestricted	<u>8,374,142</u>	<u>8,374,142</u>		
Temporarily restricted:				
David R. Bender for International Development	13,555		\$ 13,555	
Scholarship	826,557		826,557	
Coplen	22,480		22,480	
Total temporarily restricted	<u>862,592</u>		<u>862,592</u>	
Permanently restricted - David R. Bender for International Development				
	126,080			\$ 126,080
Total net assets	<u>9,362,814</u>	<u>8,374,142</u>	<u>862,592</u>	<u>126,080</u>
Total liabilities and net assets	<u>\$ 11,994,170</u>	<u>\$ 11,005,498</u>	<u>\$ 862,592</u>	<u>\$ 126,080</u>

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

**SPECIAL LIBRARIES ASSOCIATION, INC.**  
**Statement of Activities**  
**For the Year Ended December 31, 2004**

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<b>Revenue:</b>				
Programs:				
Membership growth and development	\$ 1,337,703	\$ 1,337,703		
Serial publications	671,047	671,047		
Conference and meetings	2,431,057	2,431,057		
Strategic learning and development	164,051	164,051		
Career and employment services	60,451	60,451		
Public affairs	3,418	3,418		
Marketing and fund development	369,778	369,778		
Leadership services	49,825	49,825		
Research	29,864	29,864		
Information resources	594	594		
	<u>5,117,788</u>	<u>5,117,788</u>		
Interest and dividends	137,094	99,931	\$ 37,163	
Contributions	2,219	436	1,783	
Miscellaneous	31,739	31,590	149	
Net assets released from restrictions:				
Scholarships and miscellaneous	-	31,707	(31,707)	
Total revenue	<u>5,288,840</u>	<u>5,281,452</u>	<u>7,388</u>	
<b>Expenses:</b>				
Program expenses:				
Membership growth and development	784,655	784,655		
Serial publications	536,244	536,244		
Conference and meetings	1,124,029	1,124,029		
Strategic learning and development	398,401	398,401		
Career and employment services	39,722	39,722		
Public affairs	741,135	741,135		
Marketing and fund development	289,335	289,335		
Leadership services	856,525	856,525		
Research	70,047	70,047		
Information resources	191,863	191,863		
Scholarships and grants	30,500	30,500		
	<u>5,062,456</u>	<u>5,062,456</u>		
General operations	533,164	533,164		
Total expenses	<u>5,595,620</u>	<u>5,595,620</u>		
<b>Change in net assets before other income</b>	(306,780)	(314,168)	7,388	
<b>Other income:</b>				
Realized gains (losses) on sales of investments	74,644	80,218	(5,574)	
Unrealized loss on investments	(95,606)	(73,504)	(22,102)	
Gain on sale of building	4,518,594	4,518,594		
Change in accounting estimate	185,000	185,000		
	<u>4,682,632</u>	<u>4,710,308</u>	<u>(27,676)</u>	
<b>Change in net assets</b>	4,375,852	4,396,140	(20,288)	
<b>Net assets, January 1, 2004</b>	<u>4,986,962</u>	<u>3,978,002</u>	<u>882,880</u>	<u>\$ 126,080</u>
<b>Net assets, December 31, 2004</b>	<u>\$ 9,362,814</u>	<u>\$ 8,374,142</u>	<u>\$ 862,592</u>	<u>\$ 126,080</u>

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

**SPECIAL LIBRARIES ASSOCIATION, INC.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2004**

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<b>Cash flows from operating activities:</b>				
Change in net assets	\$ 4,375,852	\$ 4,396,140	\$ (20,288)	
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation	281,902	281,902		
Realized (gains) losses on sales of investments	(74,644)	(80,218)	5,574	
Unrealized loss on investments	95,606	73,504	22,102	
Gain on sale of property and equipment	(4,518,594)	(4,518,594)		
Changes in assets and liabilities:				
Accounts receivable	(53,444)	(53,444)		
Due (to)/from other funds	-	7,908	(21,816)	\$ 13,908
Inventory	16,734	16,734		
Prepaid expenses and other assets	(96,993)	(96,993)		
Accounts payable and accrued expenses	(266,564)	(266,564)		
Deferred revenue	7,953	7,953		
Net cash (used in) provided by operating activities	<u>(242,192)</u>	<u>(241,672)</u>	<u>(14,428)</u>	<u>13,908</u>
<b>Cash flows from investing activities:</b>				
Purchases of investments	(2,107,275)	(1,330,158)	(769,120)	(7,997)
Sales of investments	2,153,166	1,348,093	805,073	
Purchases of property and equipment	(1,598,324)	(1,598,324)		
Cash received from sale of property and equipment, net	<u>5,617,398</u>	<u>5,617,398</u>		
Net cash provided by (used in) investing activities	<u>4,064,965</u>	<u>4,037,009</u>	<u>35,953</u>	<u>(7,997)</u>
<b>Cash flows from financing activities:</b>				
Cash received from note payable	530,464	530,464		
Repayments of note payable	<u>(4,000,000)</u>	<u>(4,000,000)</u>		
Net cash used in financing activities	<u>(3,469,536)</u>	<u>(3,469,536)</u>		
<b>Net increase in cash and cash equivalents</b>	353,237	325,801	21,525	5,911
<b>Cash and cash equivalents, January 1, 2004</b>	<u>1,595,402</u>	<u>1,555,007</u>	<u>33,391</u>	<u>7,004</u>
<b>Cash and cash equivalents, December 31, 2004</b>	<u>\$ 1,948,639</u>	<u>\$ 1,880,808</u>	<u>\$ 54,916</u>	<u>\$ 12,915</u>
<b>Supplemental Cash Flow Information:</b>				
Cash paid during the year for federal and state taxes	<u>\$ 19,664</u>	<u>\$ 19,664</u>		

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

**SPECIAL LIBRARIES ASSOCIATION, INC.**  
**Notes to the Financial Statements**

**Note A - Organization**

The Special Libraries Association, Inc. (the "Association") is a not-for-profit membership organization whose purposes are to promote the association of individuals and organizations having a professional, scientific or technical interest in library and information science; and to promote and improve the communication, dissemination, and use of such information and knowledge for the benefit of libraries or other educational organizations.

Chapters and divisions of the Association have been established based on geographical areas and areas of interest actively represented by the members, respectively. The activities of the chapters and divisions are not reflected in the financial statements of the Association.

**Note B - Summary of Significant Accounting Policies**

***Basis of Accounting***

The Association prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

***Income Taxes***

The Association is exempt from income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC). The Association is subject to income tax on its unrelated business income. The Association has been classified as a public charity by the Internal Revenue Service under section 509(a)(2) of the IRC.

***Estimates***

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Cash and Cash Equivalents***

For financial statement purposes, the Association considers money market accounts to be cash equivalents.

**SPECIAL LIBRARIES ASSOCIATION, INC.**  
**Notes to the Financial Statements - Continued**

**Note B - Summary of Significant Accounting Principles - Continued**

***Property and Equipment***

Property and equipment is recorded at cost and depreciated using the straight-line method over the following estimated useful lives of the assets:

Building and improvements	10 – 30 years
Furniture, equipment and software	5 – 10 years

Acquisitions of property and equipment are capitalized if the cost exceeds \$5,000 and have useful lives of over one year.

***Deferred Revenue***

Deferred revenue consists primarily of the portion of dues and subscriptions revenue received for periods subsequent to year-end, as well as conference and exhibit revenue received in advance of the events.

***Net Assets***

To ensure observation of limitations and restrictions placed on the use of resources available to the Association, its net assets and revenue have been classified based on the existence or absence of donor-imposed restrictions. The classes of net assets and the description of transactions that result in changes therein are as follows.

*Unrestricted:*

*General:* represents resources of the Association available to support its general operations.

*Designated:* represents resources designated by the Board of the Association for specific purposes. These resources are not externally restricted and may be subsequently undesignated by the Board.

*Temporarily Restricted:* represents resources expendable only for purposes specified by the donors.

*Permanently Restricted:* consists of contributions that are required to be endowed for perpetuity and the income generated on the funds used for the purposes specified by the donors.

***Allocation of Expenses***

The Association allocates substantially all of its general operating expenses to its various programs and supporting activities. The allocations are based on estimates of actual resources used in operating each activity.

**SPECIAL LIBRARIES ASSOCIATION, INC.**  
**Notes to the Financial Statements - Continued**

**Note C - Concentration of Credit Risk**

Financial instruments that subject the Association to a concentration of credit risk consist of demand deposits placed with financial institutions. At December 31, 2004, funds in excess of the Federally insured limit totaled approximately \$784,000.

**Note D - Funds Received on Behalf Of Others**

Cash and investments include amounts held on behalf of the chapters and divisions of the Association, totaling \$671,764. Such amounts are to be forwarded to the chapters and divisions on a current basis and, thus, are included in accounts payable and accrued expenses in the accompanying balance sheet.

**Note E - Investments**

Investments are stated at market value and consist of the following as of December 31, 2004:

	<u>Cost</u>	<u>Market</u>
Mutual funds	\$ 855,695	\$ 856,145
Equities	1,326,942	1,452,941
Certificates of deposit	1,110,000	1,113,558
U.S. government and government agency securities	199,704	199,569
Corporate bonds	<u>978,296</u>	<u>968,909</u>
	<u>\$ 4,470,637</u>	<u>\$ 4,591,122</u>

As a result of the Association's ability and intent to hold such investments on a long-term basis, investments are classified as long-term assets.

**Note F - Retirement Plan**

The Association maintains a contributory defined contribution retirement plan that is available to all employees when certain age and length of service requirements are met. Under the plan, the Association and the participants make monthly contributions based on a percentage of participants' salaries. The Association's retirement expense for the year ended December 31, 2004 totaled \$84,583.

**SPECIAL LIBRARIES ASSOCIATION, INC.**  
**Notes to the Financial Statements - Continued**

**Note G - Note Payable and Purchase/Sale of Headquarters Buildings**

On November 24, 2003 the Association obtained an unsecured note payable to be used for the purchase of a new headquarters facility in Alexandria, Virginia. All principal and unpaid accrued interest was due and payable on May 31, 2004. The note carried an interest rate based on the LIBOR Market Index Rate plus .75%, which amounted to 1.87% at December 31, 2003. During 2004, an additional \$530,464 was drawn down on the note. The entire note of \$4,000,000 was repaid upon the sale of the Washington, D.C. property on June 4, 2004 when the Association sold it for gross proceeds totaling \$5,890,000.

**Note H - Commitment**

***Hotel Agreements***

The Association has entered into several agreements with hotels for room accommodations for its conferences and meetings through 2008. These agreements indicate that the Association would be liable for certain cancellation fees and liquidated damages in the event of cancellation. At December 31, 2004, such cancellation fees totaled approximately \$329,000.

**Note I - Change in Accounting Estimate**

At December 31, 2003, the Association accrued attrition damages of \$285,000 based on the best information available at that time. During 2004, the hotel released all claims in exchange for a payment of \$100,000. Accordingly, the over accrual at December 31, 2003 has been reflected as a change in accounting estimate in the statement of activities for the year ended December 31, 2004.