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From the Treasurer: AALL Funds Initiatives

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The Association's fiscal year ended on September 30, 2006, at which time the independent audit firm of Legacy Professionals LLP examined our financial records. Legacy Professionals LLP was retained by the AALL Executive Board to certify the accuracy of the financial statements and the integrity of the Association's accounting systems. The essence of the audit report is the opinion as to whether the statements present fairly the financial position of the Association at year end. Again this year, Legacy Professionals LLP rendered an unqualified opinion that our financial statements "present fairly, in all material respects, the financial position of the American Association of Law Libraries as of September 30, 2006, 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."

At the February meeting of the AALL Finance and Budget Committee, the Legacy Professional partner and manager responsible for our audit presented the report and comments regarding the Association's overall financial condition. Committee members were given an opportunity to ask questions regarding any items related to the statements, methods, records, or procedures employed by the financial staff.

The schedules found on the following pages summarize the data presented in the audit report received by the Executive Board. If you would like to receive the complete report, you may request a copy from Interim Executive Director Steve Ligda at sligda@aall.org.

Schedule A is a comparison of the assets, liabilities, and net assets of the total of all Association funds as of September 30, 2006 and 2005. The investment portfolio constitutes the largest segment of AALL's assets. Overall its three invested funds—the Permanent Investment, Restricted Endowment, and Cash Management Funds—account for 74 percent of AALL's assets at September 30, 2006. Our overall portfolio continues to reflect a modest approach. The Permanent Investment Fund continues as the largest of the portfolios, invested in a variety of carefully managed equities and fixed income instruments with a healthy 5.7 percent return on investments for the fiscal year, while the Cash Management Fund serves as a short term reserve for investing cash available from operations.

Five years ago AALL segregated certain endowed funds, which were contributed by members and AALL supporters, to ensure that all contributions to these funds were restricted to support the donors' intentions. These restricted endowment funds consist of the Scholarship Fund, the AALL/George A. Strait Minority Scholarship Endowment, the LexisNexis/John R. Johnson Memorial Scholarship Endowment, the Institute for Courts Management Fund, the Alan Holoch Memorial Fund, the Ellen Schaffer Annual Meeting Grant Fund, and the AALL/LexisNexis Research Fund.

Last year the Executive Board, upon the advice of the Finance and Budget Committee, voted to change the investment strategy in place for the restricted funds. Prior to that year, the restricted funds could only be invested in the bond market. The board voted to allow our investment advisor to invest the funds in a mix of stocks and bonds, the same as he does our Permanent Investment Fund.

I am pleased to note that as a result of this change in policy and the contributions from members, SISs, chapters, and publishers, the Strait Endowment increased by more than $145,000 during this past fiscal year. Currently, the fund has a balance of more than $297,000—sufficient to continue to provide scholarships for many years to come.

Schedule B compares the various revenue and expense accounts for the 2005 and 2006 fiscal years. Overall, 2006 revenues remained healthy and comparable...
with the prior year, primarily as a result of revenues from member dues and another profitable Annual Meeting.

The 2006 Annual Meeting in St. Louis attracted 1,838 paid attendees, sufficient to generate a net return, after all direct costs and overhead, of $260,000. Member dues revenue increased by 11 percent in 2006.

Fiscal year 2006 expenses also remained comparable with the prior year. Expenses in 2006 increased in proportion to the 2006 increase in revenues.

The 2006 Annual Meeting in St. Louis attracted 1,838 paid attendees, sufficient to generate a net return, after all direct costs and overhead, of $260,000. Member dues revenue increased by 11 percent in 2006.

In total, the net surplus from all funds and activities was $341,725 in fiscal 2006, as compared to $413,278 in 2005 as revenues increased to net to the $146,399 surplus—on par with those that we have enjoyed during the last few years.

Analyses of some specific items from the General Fund are noted as follows:

Dues revenues were reported at $893,462, an increase of $51,000 from the previous year. This improvement was due, in large part, to retaining and adding new members in 2006. The Association had a member retention rate of more than 90 percent again this year. This rate continues to be higher than that of our sister associations. We feel that this is a vote of confidence in the value of the Association to our members.

Revenues generated from the Annual Meeting were $78,524 more than in 2005, resulting in another healthy net return of $260,000, as mentioned above. The St. Louis Meeting exhibit space sales totaled 205 spaces, our highest total ever. Total exhibiting firms were 117—the highest number of exhibitors since 1999, helping us achieve the healthy net return.

Our professional development programs continue to perform at a near break-even level as all four programs were well attended, which is quite an improvement from recent years when programs were cancelled for lack of registrants.

Schedule D details the components of the restricted and unrestricted fund balances from the bottom of Schedule A.

You will note that various funds and projects have been established by the Executive Board to ensure that adequate funding is available to support issues, advocacy views, specific programming efforts, or, as is the case with restricted endowments, that contributions are accounted for and restricted to their intended purposes.

The balance of the Current Reserve Fund at the end of fiscal year 2005 was $557,102. During fiscal year 2006 the Executive Board voted to allocate $260,000 of these funds for various Association activities, including replenishing the restricted endowment funds that fell below their restricted balances, contributing to the AALL/BNA Continuing Education Fund, awarding funds for several workshops proposed by our members, and setting aside funds for both the Advocacy Summit in April 2007 and the needs of our Washington Affairs Office.

At the end of fiscal year 2006, the balance of the Current Reserve Fund was $440,642. In February 2007, the Finance and Budget Committee discussed more opportunities to fund educational programs during 2007. The committee’s recommendations were presented for board approval at its March meeting. I expect to report on the board’s recommendations during the Business Meeting in New Orleans.

If any member would like to comment, or would like clarification of our financial performance or policies, please feel free to contact me or Steve Lieda, and we will be glad to respond.

In total, the net surplus from all funds and activities was $341,725 in fiscal 2006, as compared to $413,278 in 2005 another positive year in regaining our fiscal health and a signal that our financial policies continue to serve us well.

Schedule C reports the fiscal year results of the General Fund only. You will note a similar increase in net assets from fiscal 2005 as revenues increased to net to the $146,399 surplus—on par with those that we have enjoyed during the last few years.

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