

ANNUAL MEMBERSHIP MEETING

Tuesday, June 5, 2012
Jacob Javits Convention Center
New York, New York

AGENDA

1. Call to Order

2. Report of the President

Becky Anderson, Anderson's Bookshops, Naperville, IL

3. Report of the Vice President, including Membership Report

Steve Bercu, BookPeople, Austin, TX

4. Report of the Chief Executive Officer, including Financial Report

Oren J. Teicher

5. Old Business and General Orders

6. New Business

7. Adjourn

ABA BOARD OF DIRECTORS

June 2011 to June 2012

Becky Anderson, ABA President
Anderson's Bookshops, Naperville, IL

Steve Bercu, ABA Vice President/Secretary
BookPeople, Austin, TX

Sarah Bagby
Watermark Books, Wichita, KS

Betsy Burton
The King's English, Salt Lake City, UT

Tom Campbell
The Regulator Bookshop, Durham, NC

John Evans
Diesel, A Bookstore, Brentwood, CA

Valerie Koehler
Blue Willow Bookshop, Houston, TX

Matt Norcross
McLean & Eakin, Petoskey, MI

Ken White
SFSU Bookstore, San Francisco, CA

2012 BOARD OF DIRECTORS
Election Results

DIRECTORS
(term ending June 2015)

Betsy Burton
The King's English, Salt Lake City, UT

Valerie Koehler
Blue Willow Bookshop, Houston, TX

Jonathon Welch
Talking Leaves Books, Buffalo, NY

NOMINATING COMMITTEE

Sarah Bagby (chair)
Watermark Books, Wichita, KS

John Evans
Diesel, A Bookstore, Brentwood, CA

Dick Hermans
Oblong Books and Music, Millerton, NY

Leslie Reiner
Inkwood Books, Tampa, FL

Michael Tucker
Books Inc., San Francisco, CA

MEMBERSHIP REPORT

May 15, 2011

Bookstore Locations* 1823

**1512 companies*

Associate 327

Provisional 167

Auxiliary 44

Foreign 15

Total 2376

May 15, 2012

Bookstore Locations** 1900

***1567 companies*

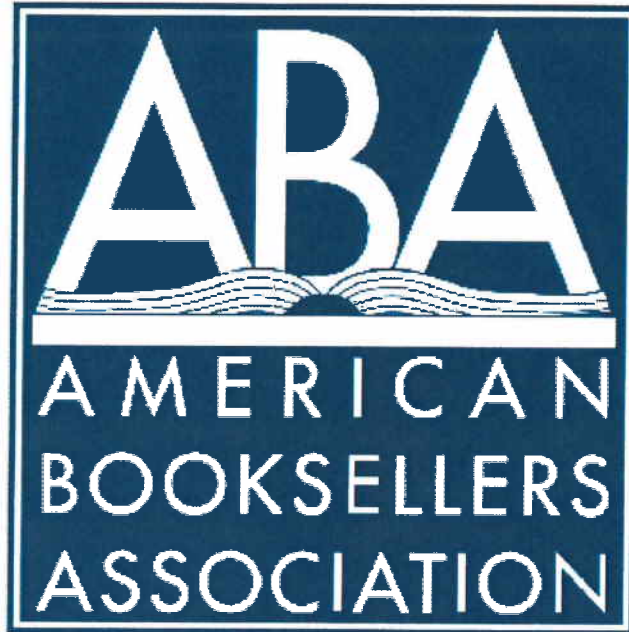
Associate 356

Provisional 194

Auxiliary 47

Foreign 20

Total 2517



American Booksellers Association, Inc. and Subsidiaries

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended September 30, 2011 and 2010



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Booksellers Association, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of the American Booksellers Association, Inc. and Subsidiaries (the "Association") as of September 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Libris Indemnity Company ("LIBRIS"), a wholly owned subsidiary, which statements reflect total assets constituting 7% and 5% as of September 30, 2011 and 2010, respectively, and net unrestricted revenues and gains constituting 16% and 15% for the years ended September 30, 2011 and 2010, respectively, of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for LIBRIS as of September 30, 2011 and 2010, and for the years then ended, is based solely on the reports of the other auditors.

We conducted our audits 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Booksellers Association, Inc. and Subsidiaries as of September 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of the Association taken as a whole. The supplementary information as of and for the years ended September 30, 2011 and 2010 on pages 13-21 is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subject to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to LIBRIS is based on the report of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth & Shron LLP

New York, NY
March 6, 2012

AMERICAN BOOKSELLERS ASSOCIATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and cash equivalents (Notes 2D, 2E and 12)	\$ 672,449	\$ 350,691
Investments, at fair value (Notes 2F, 3,10, 12, 13 and 15)	21,168,862	22,744,648
Accounts receivable, net (Note 2H)	722,597	789,791
Due from related parties (Note 5)	1,081,972	1,097,390
Property and equipment, net (Notes 2G and 4)	291,209	178,535
Prepaid expenses and other assets	597,090	677,992
TOTAL ASSETS	\$ 24,534,179	\$ 25,839,047
 LIABILITIES		
Accounts payable and accrued expenses (Note 10A)	\$ 932,288	\$ 875,896
Note payable (Note 11)	-	692
Deferred revenue (Note 2J)	689,093	739,326
Outstanding losses - insurance program (Note 2I)	567,349	735,308
TOTAL LIABILITIES	2,188,730	2,351,222
 COMMITMENTS AND CONTINGENCIES (Note 10)		
 NET ASSETS - UNRESTRICTED (Note 2B)		
Undesignated	12,840,906	14,439,633
Designated for American Booksellers Foundation for Free Expression, Inc. (Notes 5 and 14)	2,500,000	2,500,000
Designated for contingencies (Notes 9 and 14)	7,004,543	6,548,192
TOTAL NET ASSETS - UNRESTRICTED	22,345,449	23,487,825
 TOTAL LIABILITIES AND NET ASSETS	 \$ 24,534,179	 \$ 25,839,047

AMERICAN BOOKSELLERS ASSOCIATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
OPERATING ACTIVITIES (Note 2C):		
Revenue (Note 2J):		
Membership dues	\$ 701,859	\$ 621,327
Content and information	453,063	272,512
Co-op advertising revenue	1,315,573	1,461,132
Products and services	242,927	302,068
Insurance premiums earned	865,605	963,805
Convention revenue (Note 6)	528,003	688,522
Interest and dividends, net (Note 3)	268,339	303,289
E-Commerce	696,707	551,352
Children's Booksellers program	110,839	-
Other revenue	69,616	230,928
Total operating revenue	5,252,531	5,394,935
Expenses:		
Program activities:		
Membership services	696,834	361,630
Content and information	901,690	869,307
Products and services	56,949	18,451
Convention and meetings	307,520	223,516
Insurance program	640,610	1,024,722
Book Sense (IndieBound) marketing (Note 2K)	851,437	1,238,145
Children's Booksellers program	109,702	-
E-Commerce	438,390	436,188
Total program activities	4,003,132	4,171,959
Supporting activities:		
General and administrative	1,886,146	1,954,252
Total operating expenses	5,889,278	6,126,211
Deficit of operating revenue and gains over operating expenses	(636,747)	(731,276)
NON-OPERATING ACTIVITIES (Note 2C):		
ABFFE grant (Note 5)	(111,532)	(128,315)
Income taxes (expense) benefit (Note 8)	(57,600)	42,718
Realized gain on investments (Note 3)	1,316,380	1,701,185
Unrealized loss on investments (Notes 3 and 15)	(1,652,877)	(62,218)
Total non-operating activities	(505,629)	1,553,370
CHANGE IN NET ASSETS	(1,142,376)	822,094
Net assets - beginning of year	23,487,825	22,665,731
NET ASSETS - END OF YEAR	\$ 22,345,449	\$ 23,487,825

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

2012 Statement of Income and Expenses

	March 2012 Actual	Fiscal 2012 Projected	Fiscal 2012 Budget	Variance
INCOME				
Content (Education & Information)	469,847	512,022	453,000	59,022
BEA Royalty & Sponsorships	0	526,000	526,000	0
Membership Dues	386,200	671,938	681,938	(10,000)
Affinity programs	129,433	234,000	234,000	0
Publisher Marketing Support	628,914	1,400,000	1,425,000	(25,000)
Children Program	2,005	145,500	145,500	0
E-commerce	425,638	843,935	671,000	172,935
Investment Income (net of expenses)	162,905	360,000	612,000	(252,000)
Miscellaneous	58,258	115,000	61,000	54,000
Total Income	2,263,200	4,808,395	4,809,438	(1,043)
PROGRAM COSTS				
Content (Education & Information)	515,971	872,107	935,153	63,046
BEA Royalty & Event Sponsorships	122,778	330,912	331,412	500
Membership	256,545	525,460	525,460	0
Technology	71,731	127,495	127,795	300
Children Program	47,155	167,315	168,315	1,000
Affinity Programs Costs	3,009	5,500	5,500	0
Book Buyers Handbook	25,505	52,531	52,531	0
Publisher Marketing Support	399,312	822,777	834,777	12,000
E-Commerce	299,111	669,178	664,178	(5,000)
Total Program Costs	1,741,117	3,573,275	3,645,121	71,846
Income Less Program Costs	522,083	1,235,120	1,164,317	70,803
Governance (Board & Committees)	89,641	132,350	128,350	(4,000)
General Administration	762,112	1,634,376	1,570,376	(64,000)
ABFFE Subsidy for 2012	0	50,000	50,000	0
Total Governance & Administration Costs	851,753	1,816,726	1,748,726	(68,000)
OPERATING RESULT (Before Taxes)	(329,670)	(581,606)	(584,409)	2,803
Taxes	1,100	17,000	17,000	0
Operating Result After Taxes	(330,770)	(598,606)	(601,409)	2,803
Unrealized Investment Gain (Loss)	3,405,822	3,000,000	0	3,000,000
Result Includes Unrealized Gain (Loss)	3,075,052	2,401,394	(601,409)	3,002,803

2012 Balance Sheet

	<u>Mar-12</u>	<u>Mar-11</u>	
ASSETS			
Cash and Investments			
Cash/Money Market Fund	107,504	108,847	
Investments	21,561,257	21,978,114	
Unrealized Market Value	<u>2,754,569</u>	<u>3,389,378</u>	
Total	24,423,330	25,476,339	
Receivables (LIBRIS)	500,000	500,000	
Receivables (Includes Accrued Receivables)	262,811	291,372	
Receivables (ABFFE)	1,107,128	1,076,233	
Receivables (Includes Book Sense Inc., ABA & BOS)	(147,428)	(163,803)	
Inventory	6,843	5,818	
Prepaid Expenses	36,478	46,540	
Fixed Assets (Net of Depreciation)	221,315	177,772	
Other Assets (Security Deposit for Office Lease)	113,330	73,330	
Total Assets	<u>26,523,807</u>	<u>27,483,601</u>	
LIABILITIES & FUND BALANCE			
Liabilities			
Accounts Payable	106,017	127,803	
Credit Line Used	55,606	267,365	
Accrued Expenses	223,126	220,445	
Deposits & Others	176,463	259,735	
Deferred Dues Income	412,217	421,899	
Other Deferred Revenue	<u>54,500</u>	<u>116,100</u>	
Total Liabilities	1,027,929	1,413,347	
Fund Balance			
Accumulated Balance	13,397,146	14,626,667	
Current Year Earning	3,075,052	2,363,242	
Restricted Reserve	6,523,680	6,580,345	
Reserve for ABFFE	<u>2,500,000</u>	<u>2,500,000</u>	
Total Fund Balance	25,495,878	26,070,254	
Total Liabilities and Fund Balance	<u>26,523,807</u>	<u>27,483,601</u>	