November 12, 2010

To: UNC Press Board of Governors

From: Robbie Dircks

Subject: Financial highlights for November 17, 2010 Board Meeting

The Finance Committee met with our auditors from McGladrey & Pullen on October 14 to review the June 30, 2010 audit report. The audit included an unqualified opinion, meaning we had a “clean audit” and no inconsistencies or discrepancies were found in our financial reporting. The audit report for UNC Press did not include a management letter this year, which means that the auditors did not find any inconsistencies in our accounting policies and procedures, and internal controls. Included as a separate attachment is a report outlining the major audit procedures performed by the auditors. The auditors reviewed this report with the Finance Committee as part of the overall audit review. The Finance Committee voted to approve the FY10 audit report. A copy of the audit report is included as a separate attachment to this report. Please let Rachel or me know if you’d like a printed copy of the audit report.

The FY10 audit concludes our three-year audit and tax preparation agreement with McGladrey & Pullen. The Finance Committee instructed me to obtain costs from McGladrey & Pullen for another three-year engagement for FY11–FY 13. McGladrey & Pullen will provide a proposal once they complete the FY10 Federal and State Tax Returns for UNC Press and Longleaf. The tax work is expected to be completed by Thanksgiving.

……………………………..

Through November 10, book sales for FY10 totaled $2,402,832. This represents 45.3% of our $5,300,000 sales forecast. Thus far sales have been close to our monthly sales projections; and, at mid-month, we need sales of $257,168 to meet our five-month projection of $2,660,000.

 Nov 2010 Nov 2009 Nov 2008

 (thru 11/10) (thru 11/30) (thru 11/30)

Book Sales $2,402,832 45.3% $2,339,946 43.3% $2,349,814 48.3%

Year-End Sales $5,300,000 (proj) $5,410,269 (actual) $4,861,283 (actual)

……………………………..

Press investments with the UNC Management Company had a positive return of 5.3% for the first quarter of the fiscal year. The September 30, 2010 balance was $14,578,769 and includes $12.73 million in endowment and $1.84 million in operating reserve funds, of which $388,310 are Press funds and $1.46 million are held on behalf of the various journals we distribute.

As in previous years, I’ll schedule time for Jon King, President of the UNC Management Company, to meet with the Finance Committee and other interested Board and Advancement Council members in January or February for an investment update.

……………………………..

The Longleaf Board of Directors met with our auditors from McGladrey & Pullen on October 14 to review the June 30, 2010 audit report. The audit included an unqualified opinion, meaning we had a “clean audit” and no inconsistencies or discrepancies were found in our financial reporting; no management letter was issued by the auditors. The Longleaf Board voted to approve the audit report.

The Longleaf Board of Directors met on November 9 to review first-quarter financial results, first-quarter operational statistics, and to hear updates about a variety of operational issues and projects that are currently underway. The major projects are updating our fulfillment software, which will allow us to become fully PCI compliant with credit card security standards, and a related software project that will allow Longleaf to start collecting sales tax on behalf of each client publisher within its home state (Longleaf has been collecting NC sales tax for UNC Press since inception). Longleaf will also begin collecting sales tax on all sales made to customers in Pennsylvania since that is where the physical book inventory is maintained.

Unfortunately, Longleaf was not successful with our proposal to the Modern language Association (at this time we do not know which fulfillment company was selected); we are still waiting to hear the decision from Michigan State University Press. Longleaf will submit a proposal to the University of Nevada Press on November 16.