The American Library Association’s fiscal year 2009-10 ended on August 31, 2010. In November and December our auditors, Grant Thornton, audited the consolidated statements of financial position (records) for the fiscal year ending on August 31, 2010 in accordance with auditing standards generally accepted in the United States. The audit also includes the results of the ALA-APA. The auditors reported that there were no material weaknesses and issued an unqualified opinion – the best possible rating. Final adjustments to the audit are still underway. Once complete an official opinion will be rendered.

On December 20th, 2010 I had the pleasure of meeting with the ALA finance staff and the auditors to review the FY 2009-10 financial results and statements. We also discussed several financial issues and developments that are important to the Association, including deferred liability for retiree health care, assumptions used in the calculation of postretirement benefits and “Best Practices” related to constraining its growth.

Attached you will find a summary of the financial results for the FY 2010 including programmatic highlights. I will briefly review and highlight some of this information in my report to Council on Monday, January 10, 2011.

I look forward to seeing you in San Diego, CA. In the meantime, if you have any questions, please feel free to e-mail me at jneal@columbia.edu. Thanks for your continued support.
American Library Association

Funding ALA’s Mission and Goals

The Executive Board and Council at the 2009 Midwinter Meeting in Denver developed the FY 2010 budget within the context of an expanded list of programmatic priorities as approved. They were as follows:

- Diversity
- Equitable Access to Information and Library Services
- Education and Lifelong Learning
- Intellectual Freedom
- Advocacy for Libraries and the Profession
- Literacy
- Organizational Excellence
- Transforming Libraries

In FY 2009 ALA continued to rely on its primary revenue streams, which consisted of publishing, meetings and conference, dues, and grants. FY 2009 also represented the third and last year of a three-year phased-in dues increase, which again helped to fund a number of 2010 initiatives. At approximately 16.4% of total revenue, dues revenue, along with the other revenue streams, helped to support a vibrant membership base in the form of programs, products, services and office support throughout the year.

In the original budget overview it was stated that the impact of a worldwide liquidity crisis i.e. financial meltdown may severely impact library budgets across the country. Additionally, that if these and other economic factors - falling housing prices, rising unemployment, investor panic etc. - continued then the mild recession predicted for 2008 would deepen and further erode the ability of the economy to sustain any reasonable growth. It wasn’t until November of 2008 that we officially learned from the US Bureau of Labor Statistics, that the current recession actually began in December 2007.
As the economic circumstances reach a “Perfect Storm,” the reality and impact were worse than predicted. The revenue generating capacity and tax base for many state, county and local governments was severely impaired. Library budgets for travel and material purchases were immediately slashed. Library hours were reduced and staff cuts were deep. By February 2009 – six months into the fiscal year – senior management and staff recognized the negative impact with a projected shortfall in the General Fund of $1.6 million. A plan was developed and measures were immediately put in place to address the issue. Sacrifices were made across the entire Association. The end result was positive net revenue for the General Fund.

**FY 2010 Financial Results**

**ALA’s Financial Value Proposition**

“To develop and deploy the financial resources that support the strategic plan and delivery of programs responsive to member needs and the improvement of library service.”

The FY 2010 budget represented the harsh reality of working in one of the worst economic environments facing libraries and the library profession in quite a few years. The shift in conditions was swift and unrelenting. The worldwide economic recession, often called “The Great Recession,” forced government agencies at all levels, as well as, corporations and non-profit organizations to dramatically modify their spending due to significant reductions in tax revenue.

In spite of this difficult situation, ALA is still well positioned to tell the story of how the Association, libraries and librarians are and will continue to support the needs of society despite the challenges. Evidence suggests that increased advocacy and advocacy support at the national, state and local levels will actually help to reduce the severity of budget cuts on thousands of libraries.

The financial plan was developed as an outcome of the recession and carried a 3% budget reduction in General Fund units implemented in the fall of 2009 which carried over into FY 2010. The revenue assumptions were
conservative and depended significantly on new product development, enhancement and the marketing of current intellectual property and meeting location. Additionally, the FY 2010 budget includes significant downward expense adjustments based on:

1. Changes in current business models.
2. Technology use.
3. Increased operating efficiencies.

**Programmatic Highlights**

- Successful national division conferences by AASL and PLA
- Successful conferences in Boston and Washington, DC, which supported ALA programs by generating $1.2 million in net revenue
- Spectrum Presidential Initiative moving toward its goal
- Washington Office hosted a number of webinars on advanced Advocacy training
- Received a $2.0 million three year extension from the Bill & Melinda Gates Foundation to continue the Public Library & Technology Access Study
- ALTA and FOLUSA joined forces to create the new division ALTAFF
- Two year pilot project for a new @ Your Library website funded by the Carnegie Corporation of New York in cooperation with Publishing, Communications and Member Relations
- Redesigned ALA’s website for the public “Ilovelibraries.org”
- Implemented twelve 2010 projects that totaled $112,900

**FY 2010 Financial Factoid**

- ALA’s net assets improved by $3.1 million (11.8%) to $29.7 million
- Publishing and Meetings & Conferences contributed $2.2 million in combined net revenue, essentially the same as in FY 2009.
- General Fund dues increased marginally by $48,944 (0.8%) to $5.9.
- Total ALA revenues declined by $1.7 million (-3.2%) to $52.5 million, while to total ALA expenses declined by $3.3 million (-6.2%) to $50.2 million.
Long-term investments improved by $1.8 million (6.8%) to $28.8 million due to market performance related to the fixed income overweighting.

- General Fund Net Asset Balance remained essentially the same at $2.9 million

**FY 2010 Financial Results**

**Summary of Operations - Total ALA (All Funds)**

For the fiscal year 2010 ALA generated total revenues of $52.5 million, which is a decline of $1.7 million (-3.2%) over FY2009. The biggest change was in Grants & Awards which declined by $3.2 million (-27.2%) to $8.6 million. This was due primarily to timing and the number of grants & awards secured during the year compared to FY09. Also contributing were reductions in subscriptions ($319,580) in Booklist/Booklinks, interest and dividends ($291,580) resulting from declining interest rates and other miscellaneous revenue ($372,742), primarily royalties. These declines were slightly offset by gains in meetings & conferences ($2.1 million) resulting from the addition of the two national division conferences during the year compared to only one in FY09.

Total expenses for the year declined by $2.9 million (-5.2%) to $51.9 million with the most significant decline occurring in outside services ($1.4 million or -15.8%) as fewer contractors were used as production activities in Publishing were adjusted to meet projected revenue, as well as, in ITTS. Closely related is a reduction in general publication expenses, which declined by $904,308 or -16.0%, primarily in reduced mailing costs in the administration of grants. Expenses in Meetings & conferences also fell by $418,923 or -5.8% as efforts were made to minimize these costs as much as possible in view of the depressed economic climate. On an operating basis, which does not include Postretirement expenses of $1.7 million, net operating income was $2.3 million. This is an improvement of $1.6 million over FY 2009.

**General Fund**
Revenues for fiscal 2009 totaled $26.4 compared to $27.0 million in fiscal 2009. This represents a decline of $541,856 (-2.0%) during the year when compared to last year. The reduction was essentially in four areas: 1. Meetings & Conferences ($205,882) as a result of lower registration & exhibit fees, advertising and commissions, 2. Products & Promotions ($168,646) due to lower material sales as library budgets were hit during the year, 3. Interest & Dividends ($205,381) from lower interest rates and 4. Miscellaneous ($275,457) from lower royalty income. These reductions were slightly offset by gains in Publishing related to growth in ALA Editions ($336,852) as a result of a strong frontlist, innovative digital products and increased outreach to the international market. Also contributing were gains in Dues ($48,944) and Contributions ($107,094).

Expenses declined by $320,533 (-1.2%) to $26.4 million. The decline, both functionally and activity wise, was related primarily to Publishing and Meetings & Conferences. Publications, primarily through Products & Promotions ($255,943), declined by $286,099 (-9.0%) to $2.9 million as production was adjusted to meet expected revenue projections. Meetings & Conferences expenses were down by $125,845 (-3.9%) to $3.1 million due to lower use of professional services ($97,344) and facilities rental ($146,040) at Annual Conference in Washington, DC. Note that these reductions were offset by slightly higher expenses at the Midwinter Meeting in Boston ($96,228). Other offsets included increases in payroll ($213,326) and general operating ($2,182).

As a result of the above, net revenue for the year was essentially break-even with a minimal loss of $8,027. This total is $221,323 less than FY 2009. Note that the Midwinter Meeting and the Annual Conference generated $1.2 million in net revenue while Publishing generated net revenues of $976,498 for a total of $2.2 million to support ALA member related activities.

**Long-Term Investment Fund - Endowment**

The investment net asset balance increased during the year from $29.4 million to $31.2 million. This was a gain of $1.8 million or 6.2% as the portfolio benefited from an overweighting in fixed income securities
during the year and a general recovery in the markets. Although interest and dividends were down slightly in FY 2010 ($856,132 vs. $942,331), realized gains saw a significant turnaround (-$3.6 million to $1.9 million). ALA’s portfolio remains conservative and defensive in nature. However, the Trustees constantly monitor the markets and have successfully adjusted the portfolio to take advantage of the prevailing conditions i.e. overweighting to fixed income securities during the year.

**Division Fund**

Division revenues for the year increased by $2.0 million (14.8%) to $15.8 million, as there were two national division conferences during the year compared to only one in FY09. As a result revenue from Meetings & Conferences was up by $2.3 million. Both PLA and AASL had successful conferences which generated additional revenue of $3.1 million and $1.6 million respectively. Offsetting the gain was a decline in Dues ($95,191 or -3.4%) as division personal membership was down 1,019 members to 53,324 (-1.9%). Reductions were also experienced in Contributions ($79,399), Miscellaneous ($89,375) and Publishing activities ($12,322).

Division expenses for the year increased by $443,615 (3.2%) to $14.4 million. The increase can partly be attributed to the number of national conferences held during the year, as reflected in higher travel expenses ($211,743), higher Publications expenses ($218,164) primarily in ALTAFF ($109,381) and higher overhead ($509,723). It should also be noted that ALTAFF ($57,757) and ASCLA ($24,711) received $82,468 in small division support.

**Round Tables**

Round tables’ revenue increased during the year by $38,228 (10.4%) to $405,180, while expenses declined by $90,773 (-27.3%) to $332,867. The result was an increase in net revenue of $129,001 to $163,086. Strong performs during the year were EMIERT, which accounted for 53.8% of the Roundtables net revenue at $87,671 as a result of strong CSK seal sales and a solid CSK breakfast., in addition to IRRT ($12,613) and FAFLRT ($12,654).
All of the round tables ended the year with a positive net asset balance which totaled $967,440.

**Plant Fund**

The Plant Fund consists of building operations and maintenance expenses and depreciation for the headquarters buildings at 40 and 50 East Huron Street and the Washington Office. Operating expenses related to cleaning services, insurance, accounting and administrative services totaled to $1.3 million, while depreciation related expenses increased/declined slightly to $475,738. The result was a general fund plant fund transfer of $1.7 million, which is approximately the same as in FY09.

**ALA-APA**

The ALA-APA reported revenues of $155,171 compared to $154,703 in fiscal 2009. This represents a gain of $468 (0.3%). Significant positive changes occurred during the year in Meetings & Conferences where the certification programs – CPLA and LSSCP – realized higher participation rates in each program. Offsetting changes included lower results in the sale of materials ($12,835) and Contributions ($13,776).

Total expenses declined during the year by $63,890 (-37.6%) to $106,057. As noted in previous communiqués regarding the APA, expenses were monitored closely throughout the year in order to match expected revenues as much as possible i.e. expenses were adjusted to match expected revenues. As a result certain expected activities were not undertaken. Reductions were realized across the board. Most of the decline in expenses was in payroll ($26,244) where the director’s position was turned into a 0.6 FTE position and the assistant’s position was reduced to a 0.5 FTE position. The balance of each position was moved to support the IMLS grant activity in the Office of Research and Statistics and HRDR respectively. Outside Services were down ($10,387) as publication related activities, specifically related to the generation of fewer salary surveys during the year.
As a result of the above activities the year ended with its first positive net revenue ($49,114) compared to a loss of ($15,244) in FY09 resulting in a negative net asset balance of ($214,557). As a result of this positive results, the ALA-APA was in a position to not only make its budgeted interest payment but also a principal payment of $25,000.

**Statement of Financial Position - Total ALA (All Funds)**

**Total Assets**

For fiscal 2010 the Association’s total assets declined marginally by $388,086 (-0.6%) to $66.7 million. The major offsetting changes occurred in two areas - Grants Receivable and Long-Term Investments. Grants Receivable declined by $2.5 million (-74.2%) to $859,910 as a result of timing and fewer grants during the year. On the other hand Long-Term Investments increased during the year by $1.8 million as asset allocation into fixed income securities helped the portfolio. Property and Equipment increased by $180,236 (1.3%) to $13.9 million due to capital purchases related to upgrading the ITTS department’s technical capabilities, in addition to furniture and fixture related to the Choice property purchase.

**Total Liabilities**

Total liabilities for the year declined by $3.5 million (-8.6%) to $37.0 million. The major change occurred in deferred revenue, which declined by $3.3 million (22.4%) to $11.5 million primarily related to a reduction in grants & awards ($2.2 million) and conference registration ($855,356). Also lower were accounts payable ($517,459), which reflects lower accruals related to payroll expenses and LTD (304,140) as loan obligations were satisfied during the year. Significant increases occurred in accrued liabilities ($370,377), the current portion of LTD ($175,681) and Postretirement benefits ($111,727).

**Net Asset Balances**
As a result of the above, net assets for the year increased by $3.1 million (11.8%) to $29.7 million. The change was a result of a stable level of assets and a significant reduction in deferred revenue of $3.2 million.

FY2010 Financial Results-12-29-10doc