

American Library Association

Financial Handbook

**A reference manual for
ALA members and staff responsible for
financial operations of the Association**

**Compiled and reviewed annually by
Budget Analysis and Review Committee**

Approved January 31, 2015

ALA Financial Handbook

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INTRODUCTION

The *ALA Financial Handbook* reflects current American Library Association operational regulations and procedures in regard to Association finances. It is intended to provide assistance and background information to ALA, Division and Round Table members and staff who are involved in the financial operations and decision making of their respective Association units.

Within the *ALA Financial Handbook* selected references to important documents and information are presented as links to the ALA website.

The *Handbook* is the work of the Budget Analysis and Review Committee (BARC) of the American Library Association. It is reviewed annually by the Committee and staff and updated as new information becomes available and as changes are made in policies, guidelines or procedures.

1. ALA Purpose, Mission, History

A. Purpose

"The object of the American Library Association shall be to promote library service and librarianship." ALA Constitution, Article II; Section 1

B. Mission

"To provide leadership for the development, promotion, and improvement of library and information services and the profession of librarianship in order to enhance learning and ensure access to information for all."

C. History

Information on ALA history including officers, conference and main events may be found at: www.ala.org/aboutala/history

Section 2. Planning

A. ALA Financial Value Proposition

The purpose of member and staff oversight of ALA financial operations is to develop and deploy the financial resources that support the strategic plan

and to deliver programs responsive to member needs and the improvement of library service.

B. Strategic Plan

The full 2015 ALA Strategic Plan is available at:

www.ala.org/aboutala/strategicplan

The goals of the Association as outlined in the Strategic Plan:

- *ALA equips and leads advocates for libraries, library issues and the library profession, and plays a key role in formulating legislation, policies and standards that affect library and information services.*
- *ALA promotes excellence and diversity in the library field.*
- *ALA provides leadership in the transformation of libraries and library services in a dynamic and increasingly global digital information environment.*
- *ALA provides an environment in which all members, regardless of location or position, have the opportunity to participate in, contribute to, and benefit from engagement in their association.*
- *ALA operates effectively, efficiently, creatively and in a socially responsible fashion to accomplish its mission.*

C. Strategic Directions

As a part of planning for ALA's Strategic Plan covering the years 2015-2020, ALA leadership engaged in a series of sessions with members at conferences to broaden and deepen insights from Division and Round Table leadership, Council, Chapters, focus groups and a member survey. The Executive Board and ALA staff analyzed and synthesized these comprehensive conversations in order to develop a strategic framework to guide the Association as it re-conceptualizes its focus, structure, operations, and culture.

The strategic framework includes three strategic directions:

- **Advocacy** – ALA shall advocate the public value of librarians, libraries and information services and seek to:
 - a. Focus on ALA's mission and priorities, working with three key constituencies: ALA members, libraries and the public.

- b. Represent libraries and information providers at the local, state, federal and international levels while building support for libraries and librarianship through public awareness.
 - c. Assure legislation and policies that support information and library services in all types of libraries and information environments.
 - d. Provide a vision of innovation, enable the future of libraries and promote libraries as centers of community engagement and participatory librarianship.
 - e. Promote ALA's core values and emphasize the impact of libraries, as represented by ALA's Declaration for the Right to Libraries, to form the basis for advocacy and community conversations.
- **Information Policy** – Information policy is comprised of laws, regulations and doctrines, and other decision-making and practices, involving information creation, storage, equitable access, communication, accessibility, dissemination, use and preservation.

The American Library Association (ALA) operating in the public interest, focuses at every level on a diverse set of policy areas including: intellectual freedom, privacy, civil liberties, telecommunications, funding for education and research programs, funding for libraries, copyright and licensing, government information, and literacy.

Operating on behalf of the public, ALA seeks through libraries to:

- a. Serve as a knowledgeable resource on policy issues for ALA members and the public at large.
 - b. Lead the advocacy for legislation, regulation, and policies for the public interest.
 - c. Educate library staffs and the public on public policy matters.
 - d. Document the impact of legislation, regulation, and policies on the work of libraries and public access to information.
 - e. Promote coalitions to advance policy positions in advancing ALA's agenda and mission.
 - f. Advocate for effective policies that enable libraries to meet the information needs of all sectors of the public.
- **Professional and Leadership Development** – Recognizing that the professional and leadership development of librarians and library workers is essential to high-quality professional practice and the future of libraries and information services, ALA seeks to:

- a. Provide professional development opportunities through multiple venues.
- b. Maintain strong accreditation standards and processes for library and information science programs.
- c. Foster certification programs through the ALA/APA.
- d. Coordinate the multiple opportunities available through ALA to provide a coherent, transparent, and accessible continuing education framework for all members.
- e. Increase the diversity of library professionals and sustain their professional growth through multiple strategies.
- f. Provide leadership development opportunities and create new pathways for member leadership in the association.
- g. Align leadership development and continuing education with best thinking about the changing information environment and ALA's Center for the Future of Libraries.

These strategic directions will serve as the basis for budgetary planning during the years covered by the Strategic Plan.

D. Annual Planning

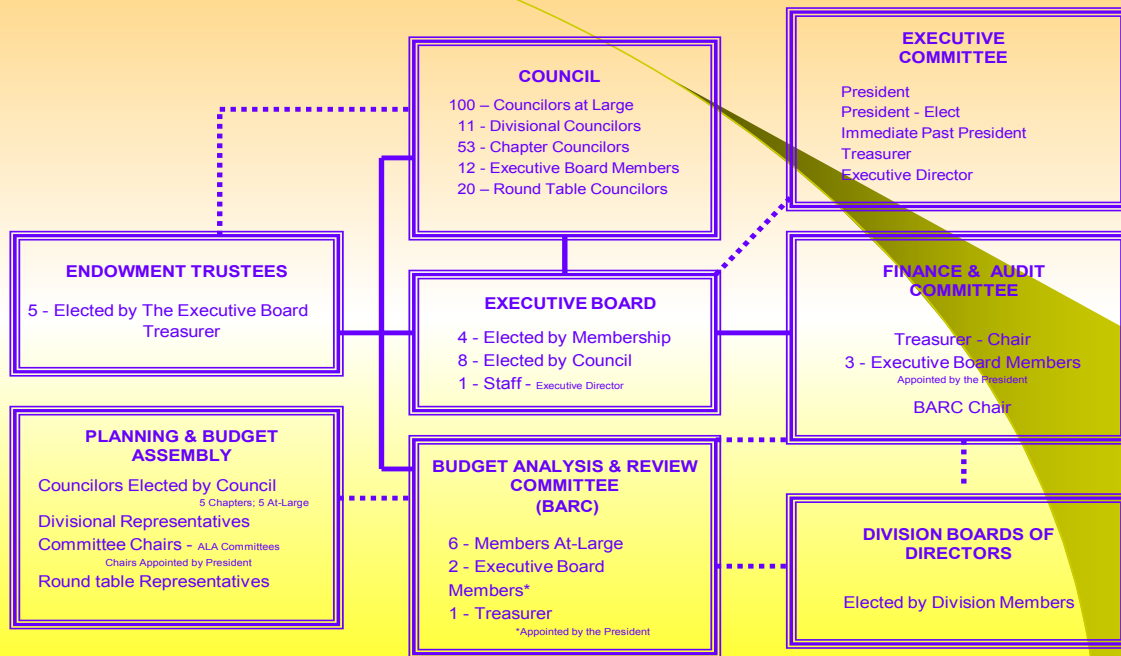
ALA and its Divisions plan activities and operations annually within the framework of a strategic plan. Most of the planned activities fit within an existing operating budget. Some plans have financial implications that are proprietary in that they reflect business strategy for ALA or Division products and services that compete in the non-profit and for-profit world. When other ALA or Unit financial operations may be affected, these proprietary financial plans are made available on an as-needed basis to appropriate governing bodies including BARC.

Section 3. ALA decision-making process and financial responsibilities

A. Decision-Making Process

The ALA budget process includes the work of ALA staff, Divisions, Units and Round Tables in preparing operating budgets for the upcoming fiscal year, monitoring the current year budget, and closing accounts for the past fiscal year.

ALA Decision-Making Process



B. Executive Board

ALA Constitution **Article VII. Executive Board**

Section 1. *The Executive Board shall consist of the officers of the Association, the immediate past president, and eight members selected by the Council from among the members of that body, as provided in the Bylaws.*

Section 2. *A vacancy in the elected membership of the Executive Board, including a vacancy created by the election of a member to the office of president-elect or treasurer, shall be filled by Executive Board appointment, the person so appointed to serve until the following annual election.*

Section 3. *The Executive Board shall report on its activities no later than the next meeting of the Council. The Executive Board shall act for the Council in the administration of established policies and programs. The Executive Board shall be the body which manages within this context the*

affairs of the Association, but shall delegate management of the day-to-day operation to the Association's Executive Director. The Executive Board shall make recommendations to Council with respect to matters of policy.

Section 4. *A majority of the voting members shall constitute a quorum of the Executive Board.*

Responsibilities

- Recommends ALA financial policy to Council
- Establishes Board policies in relation to finances
- Approves the annual budget for all Units
- Approves post-budget changes and new program and activities with financial implications
- Oversees financial matters
- Selects Endowment Trustees
- Reviews endowment performance
- Approves grants

Membership

- 4 Elected by Membership
- 8 Elected by Council
- 1 Staff (Executive Director)

A list of current Executive Board members may be found at:

www.ala.org/aboutala/governance/officers/directory

ALA Executive Board actions concerning finances and budget

www.ala.org/aboutala/governance/officers/eb_actions

C. Treasurer

Although the Executive Board as a whole is responsible for overseeing the financial health of ALA, the greatest burden falls on the Treasurer. The Treasurer is responsible for the stewardship of the Association's funds, including:

- Ensuring accuracy of financial records—seeing that reliable bookkeeping and accounting procedures are followed and accurate records are kept.

- Preparing accurate and meaningful financial reports—easily comprehensible, concise, all inclusive, timely and with a focal point for comparison (budget vs. amount spent etc.).
- Budgeting and anticipating financial problems—planning ahead for several years to foresee social and economic trends and their influence on the organization.
- Safeguarding and managing the organization’s financial assets—ensuring adequate internal controls over assets and cash properly invested to ensure maximum return.
- Ensuring compliance with federal and state reporting requirements—annual information returns to the IRS, payment of taxes, reporting to state.

The Treasurer’s page is located at:

<http://www.ala.org/aboutala/governance/financialdata>

D. Council

Financial Responsibilities

- Approve all ALA financial policy
- Approve the fiscal year budgetary ceiling
- Pass resolutions with financial implications
- Elect Executive Board Members
- Elect 10 Planning and Budget Assembly members (5 Chapter, 5 At-Large)

Membership

- 100 Elected by Membership
- 11 Divisional Representatives
- 20 Round Table Representatives
- 53 Chapter Representatives
- 12 Executive Board Members (8 Elected by Council, 4 Elected by Membership (President, President-Elect, Treasurer, Past-President))

A list of current Council members may be found at:

www.ala.org/aboutala/governance/council/council_roster

E. Finance and Audit Committee

The Finance and Audit Committee (F & A) is a Committee of the Executive Board.

Responsibilities

- Suggest measures to build financial resources
- Provide the Executive Board with interpretation of financial data needed for decisions
- Review and make recommendations on the annual budget
- Review financial projections
- Make recommendation to the Executive Board regarding fiscal management
- Perform general fiscal duties of the Board
- Conduct the audit review and monitor the audit findings and recommendations
- Review endowment performance and recommendations
- Review the Treasurer's report

Membership

- Treasurer (Chair)
- BARC Chair
- 3 Executive Board Members, appointed by the President.

Meetings

The Finance and Audit Committee meets quarterly.

- At the Midwinter Meeting the Finance and Audit Committee meets jointly with BARC and separately to address its own agenda. It reports to the Executive Board during the Meeting.
- In the spring Finance and Audit Committee meetings are held at ALA Headquarters in Chicago in April, usually prior to the Executive Board meeting. It reports to the Executive Board during their spring meeting.
- At the Annual Conference the Finance and Audit Committee meets on Saturday. It reports to the Executive Board during the Conference.

- In the fall Finance and Audit Committee meetings are held at ALA Headquarters in Chicago in October, usually prior to the Executive Board meeting. It reports to the Executive Board during their fall meeting.

F. Budget Analysis and Review Committee (BARC)

The Budget Analysis and Review Committee (BARC) is a Committee of ALA Council.

Charge

To review the proposed budget, as forwarded by the ALA executive board, in the context of the ALA strategic plan, annual priorities and budget assumptions; to review the financial performance of the association and the budget impact of potential actions of ALA council; to make budget recommendations to the ALA executive board and to report to council regarding budget analysis and process.

www.ala.org/groups/committees.ala/ala-barcc

Membership

The Budget Analysis & Review Committee (BARC) consists of nine members serving non-renewable terms. The committee membership consists of the ALA Treasurer (ex-officio, voting), two members of the ALA Executive Board serving staggered two year terms, and six members appointed by the ALA President from the general membership, serving staggered four year terms. The chair of the committee will always be one of the non-board members.

www.ala.org/groups/committees.ala/ala-barcc

The list of current members may be found at:

www.ala.org/groups/committees/ala/ala-barcc

Responsibilities

1. Review all budget requests, from all ALA-General Fund units, Divisions, Round Tables, including Plant Fund (the facilities component), Grants and Awards, as well as, Long-Term Investments (Endowments).
2. Recommend balanced budgets to the Executive Board for approval; BARC may not recommend a deficit General Fund budget.

3. Review budgets in relation to the Association's goals, objectives and programs as established by the Executive Board, which is responsible for the planning function of the Association.
4. Review financial projections of both revenues and expenses and may recommend revising budgetary ceilings during the fiscal year.
5. Convene the financial orientation session for officers and leaders of ALA units at every Midwinter Meeting. BARC members make presentations on financial topics that have a bearing on the planning and implementation of unit activities.
6. Monitor the Operating Agreement for Council.
7. Advise units on fiscal matters.

BARC is not responsible for managing the budget or the Association.

On a quarterly basis, BARC reviews and analyzes the performance of the Association budget.

- Any action approved by BARC will be presented to the Finance and Audit Committee and then to the Executive Board for their action.
- The mid-year (February) results are used to prepare preliminary year-end projections. Note that the results may have an impact on the new fiscal year budget that will be under development at this time.
- Initiatives and projects that come up for funding that are not part of the approved budget process will be handled on a case by case basis, but are generally not encouraged.
- Referrals from Council will be reviewed for their financial impact and reported back to Council and appropriate committees as conclusions or findings are reached.

Meetings

BARC meets on a quarterly basis.

- At the Midwinter Meeting BARC meets jointly with the Finance and Audit Committee, meets to address its own agenda, and meets with the Planning and Budget Assembly and with Division Leaders. The BARC Chair gives a report to Council and to the Executive Board during the Midwinter Meeting.

- In the spring BARC meetings are held at ALA Headquarters in Chicago in April usually following the meetings of Finance and Audit Committee and of the Executive Board.
- At the Annual Conference BARC meets to address its own agenda, meets with the Planning and Budget Assembly and with Division Leaders. The BARC Chair gives a report to Council and to the Executive Board during Conference.
- In the fall BARC meetings are held at ALA Headquarters in Chicago in October, usually prior to the meetings of Finance and Audit Committee and of the Executive Board. The BARC Chair attends the fall Executive Board meeting to report on BARC discussions and recommendations.

For both the spring and fall meetings of BARC, members' attendance and travel costs are a part of the ALA budget. BARC members' expenses are not covered for Midwinter Meetings or Annual Conference.

BARC Chair Responsibilities

- Preside over all BARC meetings
- Co-chair joint meetings with other committees
- Give an oral report to the Executive Board at the end of each quarterly meeting
- Make a report at the Council Orientation at the Midwinter Meeting and the Annual Conference
- Report to the Planning and Budget Assembly on the ALA Budget at the Midwinter Meeting and Annual Conference
- Chair the BARC / Division Leaders meeting at Midwinter Meeting and Annual Conference
- Appoint subcommittees to address specific budgetary issues

BARC Member Responsibilities

- Attend all meetings of BARC. BARC meets prior to the Executive Board in October; during the Association's Midwinter meeting; after the spring ALA Executive Board meeting in April; and during the Association's Annual Conference
- Attend meetings of the Planning and Budget Assembly.
- Observe Council meetings
- Prepare for and fully participate in each BARC meeting
- Develop a relationship with staff and member leaders of units assigned as liaisons

BARC Liaison Responsibilities

- Understand the operations of the unit as they relate to budget development
- Develop a working relationship with the ALA staff liaison
- Encourage open and two-way communications
- Provide information and or advice as necessary on the ALA budget process, ALA financial policies etc.
- Speak with one voice that reflects BARC's decisions
- Act as a sounding board for ideas, concerns etc. from the unit to BARC and from BARC to the unit
- Analyze critically the budget information you receive
- Assist in the unit's budget presentation at the BARC spring meeting
- Participate actively in BARC organized activities; i.e. Planning and Budget Assembly, "Best Practices" workshop, etc. and encourage the unit to participate

BARC Financial Learning Series and resource materials

BARC Financial Learning Series, the *ALA Financial Handbook* and other resources are located on the ALA Treasurer's page at

<http://www.ala.org/aboutala/governance/financialdata/treasurerspage>

G. Planning and Budget Assembly

Responsibilities

- Participate in the planning process of the Association
- Study the budget and planning documents submitted by the Executive Board, raise questions concerning them and offer suggestions to the ALA Executive Board and Budget Analysis and Review Committee

Membership

- 10 Councilors elected by Council (5 Chapter, 5 At-large)
- 1 Representative from each ALA Division
- Committee Chairs from ALA Committees
- 1 Representative from each ALA Round Table

Current membership may be found at:

www.ala.org/groups/committees/ala/ala-bf

Meetings

The Planning and Budget Assembly meets during each Midwinter and Annual Conference.

H. Divisions

Financial Responsibilities

- Establish Division financial policies within the ALA financial policy framework
- Approve Division budget for submission to BARC
- Establish financial planning and oversight mechanisms
- Review and participate in Association budget activities and decision through:
 - a. Council Members
 - b. Planning and Budget Assembly
 - c. BARC Meetings and Workshops

Membership

- Elected by Division members

Joint Meeting with BARC

In accordance with the Operating Agreement, Division Leaders and BARC hold a joint meeting during each Midwinter and Annual Conference. The purpose of the meeting is to address any issue arising from the Operating Agreement and financial or budgetary matters of mutual interest.

I. Endowment Trustees

Responsibilities

- Hold, invest, reinvest and disburse endowment funds as directed by the Executive Board
- Recommend endowment operating procedures and assumptions to the Executive Board
- Select endowment investment managers
- Report endowment status to the Executive Board, Council and Membership

Membership

- 5 members elected by the Executive Board for a three-year term.
- ALA Treasurer (ex-officio, non-voting)

Current membership may be found at:

www.ala.org/groups/committees/ala-endwmtr

Meetings

The Endowment Trustees meet each spring and fall and hold periodic conference calls.

J. ALA Management

The Executive Director shall be in charge of all ALA staff in both the Headquarters building and other facilities located elsewhere; shall carry out the activities provided for in the budget; and perform such other duties as may be assigned. (ALA Constitution, Article VIII, Section 3).

The Executive Board shall review administrative decisions made in the internal management of the Association by the Executive Director, and the Executive Director shall be authorized to carry out the provisions of the budget including hiring and firing of staff without submitting matters previously authorized or individual appointments to the Executive Board except in the form of reports of action. Any action by the Executive Director shall be subject to review by the Executive Board upon request of any member of the Executive Board.

All ALA staff is responsible to the Executive Director. Staff in the Executive Office and in the Finance Office work closely with BARC to move the business of the Committee forward. Other ALA staff may be called on to assist BARC in specific subject areas (e.g., the Director of Membership Services will work with BARC in the preparation of dues proposals.) ALA management prepares budgetary and financial reports and recommendations, and presents them to BARC and the Executive Board.

ALA management generally includes the Executive Director, the Senior Associate Executive Director and other ALA staff selected by the Executive Director.

Section 4. Operating Agreement

The “Operating Agreement” defines the relationship between ALA, the ALA General Fund and ALA Divisions. It is located in the **ALA Policy Manual, Section A: Organization and Operational Policies, Section A.4.3.4 Divisions**.

The portion called the “Operating Agreement” comprises **Section A.4.3.4.1 Policies of the American Library Association in Relation to its Membership Divisions** through **Section A.4.3.4.12 Planning** found on pages 18-31.

The entire **ALA Policy Manual** may be found at:

<http://www.ala.org/aboutala/governance/policymanual>

As is indicated in **Section A.4.3.4.2 Preamble** to the Operating Agreement: *The nature of the relationship among the ALA units is a dynamic one, demanding collaboration and a willingness to work together.*

The Agreement details:

- Areas where Divisions will be financially responsible
- Scope of ALA services to be provided
- ALA services that are provided at no charge to Divisions
- ALA services that are provided as a direct charge to Divisions
- Division revenue that will not be assessed overhead
- Division revenue that will be assessed overhead and at what % of the overhead rate
- Operational practices

Divisions must use certain ALA services:

- Human Resources
- Membership Services
- Telephone service
- Purchasing
- Fiscal Services
- Legal Counsel
- Office space
- Archives

An understanding of the Operating Agreement is essential to understanding the financial operations and policies of the Association. The Operating

Agreement was created over a two-year period in the late 1980's and was adopted in 1989 with a five-year phase-in period.

See also information below in Appendix B: Fact sheet on ALA's indirect costs.

Section 5. Financial Policies

A. ALA Bylaws Article IX. Finances

Section 1. *Except for projects supported by grants to the Association, annual estimates of income shall be based upon the unexpended balance remaining from the previous year plus anticipated revenues for the next budget year. In no case may expenditures be budgeted in excess of the estimates of income arrived at in this manner except for projects supported by grants to the Association. The annual estimates of income and budget objectives for each year are to be submitted to Council for approval.*

Section 2. *An audit of all accounts shall be made annually by a commercial auditor.*

Section 3. *A report shall be made annually to the membership, by a duly authorized member of the Executive Board, detailing receipts and expenditures, explaining the Association's fiscal status, and reporting on the audit.*

B. ALA Policy Manual

A.6 Finances

A.6.1 Management of ALA Funds

A.6.1.1 Purchasing Policy/Conflict of Interest

No purchase of goods and securities nor procurement of services, insurance, or other intangibles shall be made through firms, companies, or agencies with which officers, members of the Executive Board, or fund trustees are associated as partners, directors, or in a managerial capacity, except as such purchases relate to procurement of professional materials such as publications.

A.6.1.2 Short-Term Investments

The Executive Director and the Controller of the American Library Association are authorized to make short-term investments of such funds as are available for this purpose.

A.6.1.3 Property Transactions: Authorization to Sell Real Estate

The ALA Executive Board is authorized from time to time to sell, mortgage, or otherwise dispose of any and all real estate now or hereafter owned by the American Library Association or any part thereof or any interest therein. The officers of the Association, at the direction of the Executive Board, are authorized to make, execute, acknowledge, and deliver all appropriate instruments of conveyance, mortgages or otherwise so authorized concerning such real estate.

A.6.1.4 Authorization to Overspend Budgeted Funds

The Executive Director is authorized to overspend line amounts in the General Funds Budget but not in excess of the total General Funds budgeted figure. The Executive Director may not incur any salary commitment in excess of the current year's commitments.

A.6.1.5 Authority to Borrow Money

The President and the Executive Director are authorized and directed, from time to time as in their judgment the needs of ALA require, to borrow from any bank or other lender chosen by them, for the use and benefit of ALA, a sum or sums not exceeding \$1,000,000 in the aggregate remaining unpaid. The indebtedness shall be evidenced by a promissory note or notes which shall be corporate obligations only and shall mature and be payable not more than one (1) year after date. The Executive Board shall be informed of each transaction.

A.6.1.6 Limitations on ALA Funding of Divisions

Divisions which impose additional fees under the ALA Bylaws, Article VI, Section 6(b) and (d) or otherwise raise additional funds for divisional programs and activities shall not obligate the Association to the continuation of the programs for which continuous funding is not or cannot be provided.

C. Endowment

ALA Constitution Article IX. Endowment Funds

Section 1. *Receipts from life memberships and all gifts for endowment purposes shall, subject to conditions attached thereto, constitute endowment funds. Subject to conditions legally incident thereto, such funds shall be in the custody of no fewer than three nor more than six appointed trustees. One or more of these appointed trustees shall be appointed by the Executive Board annually to hold office for three years from the date of appointment or until a successor shall be appointed.*

Section 2. *The trustees shall have authority to hold, invest, reinvest, disburse, and otherwise deal with endowment funds in accordance with such directions as may be given them by the ALA Executive Board. The principal of and income from endowment funds shall be expended under the directions of the Executive Board but no such expenditures shall be made except in accordance with any conditions imposed by the donors of any such funds nor for any purposes which are not in consonance with the approved policies of the Association, nor shall principal be expended unless expressly permitted by the terms of the gift, or any amendment or modification thereof. No action shall be taken with reference to investment, reinvestment, or other principal transaction with respect to securities held in the endowment fund, except upon a resolution adopted by or written order signed by a majority of the trustees.*

Section 3. *The ALA Treasurer shall serve as an ex officio voting trustee.*

ALA Policy Manual

A.6.5 Long-Term Endowment Funds

Long-Term Investment Funds, colloquially known as endowments, may be permanently restricted, temporarily restricted, or unrestricted. Such funds have been properly donated to the Association and set aside for future use or special purposes. The ALA Future Fund is the ALA Unrestricted Long-Term Investment Fund and is made up of gifts, bequests, life memberships and other sources received over the years; this Fund was formerly called the Board-Designated Endowment.

A.6.5.1 Long-Term Investment Funds: Association's Use/Withdrawal and Repayment

In the preparation of the ALA annual budget, the ALA Executive Director is authorized to include a payout rate of 3% - 5% of the five-year trailing calendar quarterly (20) rolling average of the net asset balance of the ALA Future Fund. Additionally, the Executive Directors of the Divisions and the liaisons for the Round Tables and others responsible for endowment funds

are authorized to include in the preparation of their annual budgets, the anticipated payout value as provided by the Finance department. The payouts will be subject to any donor restrictions related to a particular fund and will be made from allowable temporarily restricted and unrestricted net assets. Additionally, the annual payout rate (3% - 5%) will be reviewed, determined and recommended by the ALA Endowment Trustees and the Finance and Audit committee of the ALA Executive Board, with final approval by the ALA Executive Board.

Use of Fund

Listed below are the primary instances whereby additional funds may be withdrawn from the Long-Term Investment Fund.

A. Program Support

The General Fund, Divisions and Round Tables can request funds from their respective long-term investment funds to support one-time programs.

B. Emergencies

Emergencies will include financial disaster due to a major revenue shortfall, act of God, building catastrophe, major lawsuit, etc.

C. New Initiatives

New Initiatives will include projects or programs that are multi-year in nature and deemed important to the future of the Association, Divisions, Round Tables or units. Amounts requested to be withdrawn in excess of the determined payout rate will require repayment with interest.

D. Scholarships & Awards

Allowable withdrawals from temporarily restricted and unrestricted Long-Term Investment funds designated for named scholarships and awards will be made to the extent necessary to support the award or scholarship according to its stipulations and requirements. If the funds available from the annually determined payout rate of 3%-5% of a named scholarship or award are not adequate, the amount in the temporarily restricted and unrestricted investments designated for named scholarships may be used up to the limits of any permanent or donor restrictions.

E. Life Membership Funds

Allowable withdrawals from temporarily restricted and unrestricted Long-Term Investment funds designated for Life Membership will be made from the Life Membership Fund to the extent necessary to support the annual membership fee for the participants.

F. Transfer of Existing Funds

It is allowable to make a transfer from existing unrestricted funds for the establishment of a new and or in support of an existing scholarship fund, program or initiative fund within the Long-Term Investment Fund.

Withdrawal-Transfer-Repayment

Each withdrawal for any of the purposes referenced in A, B, C and the annually determined payout rate of 3% - 5% of the five-year trailing calendar quarterly (20) rolling average net asset balance must be approved by the Executive Board.

Withdrawals from the Long-Term Investment Fund above and beyond the annually determined payout rate of 3% - 5% of the five-year trailing calendar quarterly (20) rolling average net asset balance, for any of the following events:

- a. Program Support*
- b. Emergencies*
- c. New Initiatives*

will require repayment at the prevailing ALA borrowing rate with the term to be recommended by management and approved by the Executive Board.

The annual withdrawal of interest and or dividends from the Long-Term Investment Fund will not require repayment.

ALA operating procedures for transfers to/from the Long-Term Investment Funds

The following is from ALA Financial and Accounting Department's Endowment Transfer Operating Policy 11 document:

Transfer process

- a. It is desirable that Divisions/Round Tables establish 4 or more months of reserves (Net Asset Balances divided by average monthly expenses), before any transfers are requested.

- b. Transfers to the Long-Term Investment Funds must be a part of the approved ALA annual budget.
- c. Transfers of \$50,000 or more must be reviewed by BARC as part of the 3-year financial plan and requested 2 years prior to the execution.

Any requested transfers from Division(s) fund balances to the Long Term Investment Funds, as well as any withdrawals of principal and/or interest from the Long Term Investment Funds, must be submitted as part of the annual planning process, reviewed and recommended by BARC for approval by the ALA Executive Board.

In the event of an "Emergency," requests for withdrawal from the Long Term Investment Funds must be submitted directly to BARC, as soon as reasonably possible, for review and recommendation to the Executive Board. Final approval is made by the ALA Executive Board.

D. Short-term Investment Management

Over the years ALA has established a short-term investment account which provides a significant source of revenue in the form of interest and dividend income for the benefit of the Association. The ALA Financial and Administrative Policies Handbook includes the Cash Management Policy which governs the short-term investment of the Association's cash.

At the 2015 Midwinter Meeting, the Executive Board approved three recommendations regarding the Cash Management Policy

- Allow the average credit rating of the portfolio to include investment grade ratings of AAA, AA, A and BBB. Previously the portfolio was invested solely in government-rated bonds.
- Allow for a yearly spending / payout based on the annual five-year (20 quarters) rolling average of the cash and working capital account dividend and interest earned. The spending / payout rate will be reviewed and set annually during the budget process.
- Implement the new cash management policy changes for FY15 and FY16 at a 3% spending / payout rate.

E. Gifts and Contributions

ALA Policy Manual Section A.6.1.7 Unrestricted Bequests

Unrestricted gifts and bequests that exceed \$20,000 will be routinely added to the ALA Future Fund. The Executive Director may recommend for Executive Board approval an alternate disposition of unrestricted gifts and bequests in excess of \$20,000.

F. Grants

The American Library Association and its Divisions pursue grant opportunities to start new programs that benefit members and to enhance current programs and services. BARC examines grant programs as a part of its fiduciary responsibilities.

Section 6. Revenue Sources

A. Dues

ALA Bylaws

Section 2. Categories and Dues

Categories within each classification of membership in the Association may be established by the Council upon recommendation by the Executive Board. Dues for personal members shall be set by the Executive Board with approval by a vote of the Council and subject to a mail vote of the personal members. Dues for Chapter Members, Organization Members, and Corporate Members shall be set by Council upon recommendation of the Executive Board.

ALA Policy Manual

A.2.3 Membership Dues

Membership dues for all categories of membership are recommended by the ALA Executive Board for consideration by ALA Council. If ALA Council approves the proposed dues structure, it is placed on the next ALA ballot for approval by the membership.

<http://www.ala.org/membership/ala-personal-membership - ala>

B. Conferences

ALA has two major conferences during each budget year – the Annual conference and the Midwinter Meeting. The Annual Conference is held in the June/July time period and Midwinter Meetings are held in the January/February time period. Revenue from these conferences contribute to ALA General Fund.

Upcoming conference locations may be found at:

<http://www.ala.org/conferencesevents/ala-upcoming-annual-conferences-midwinter-meetings>

Three Divisions host biennial national conferences.

- American Association of School Librarians (AASL) – Held in years with even numbers
- Association of College and Research Libraries (ACRL) – Held in years with odd numbers
- Public Library Association (PLA) – Held in years with even numbers

Revenues from these conferences contribute to Division budgets. Revenues-over-expenses accrued from the Division conference in one year may be spent during the non-conference year. Hence, the years between national conferences are spend-down years for each Division.

Upcoming locations and dates for these conferences may be found on the Divisions' websites.

C. Publishing

Sales from Publishing are a major source of funding for Association activities.

Publishing Committee

Charge

To set the framework within which ALA publishing operates by overseeing the publishing activities in all formats (print, electronic, etc.) of ALA and its publishing services department by establishing liaisons with the publishing activities of all committees and units of the association, by educating these committees and units regarding ALA publishing policies and the use of the ALA imprint, and by mediating conflicting publishing policies among these committees and units. To provide budgetary oversight to the ALA publishing services department and make recommendations to appropriate association budget and planning committees. To recommend policies on publishing

products and services for the approval of council. The ALA publishing committee has the responsibility for control of the ALA imprint. To implement this charge, the publishing committee will: set the framework within which ALA publishing operates; recommend policies on publishing products and services, including the use of the ALA imprint, for the approval of council; advise and assist all committees and units of the association in their publishing activities. Provide budgetary oversight and make recommendations to appropriate association budget and planning committees. The Publishing Committee administers the Carnegie-Whitney grant. www.ala.org/groups/committees/ala/ala-pb

Membership

The ALA Publishing Committee consists of ten members and two interns who are appointed by the ALA Appointing Officer, serving two year staggered terms, led by a chairperson who is appointed annually.

Current committee membership may be found at:

www.ala.org/groups/committees/ala/ala-pb

Meetings

The Publishing Committee meets during the Midwinter Meeting and Annual Conference. The Publishing Committee reports to the Executive Board at both the Midwinter Meeting and Annual Conference and at each BARC quarterly meeting.

Section 7. Appendixes

APPENDIX A American Library Association – Allied Professional Association (ALA – APA)

The ALA Allied Professional Association is a 501(c) (6) nonprofit organization incorporated in the State of Illinois for the purpose of promoting “the mutual professional interests of librarians and other library workers.” The ALA-APA is a companion organization to the American Library Association (ALA), an educational association incorporated in the State of Massachusetts to “promote library service and librarianship.”

The ALA Allied Professional Association was authorized by the ALA Council in June 2001 to enable the certification of individuals in specializations beyond the initial professional degree. In January 2002, with the approval of preliminary bylaws, the scope of the organization was broadened to include advocacy for the “mutual professional interests of librarians and other library workers.”

ALA and ALA-APA are separate, independent legal organizations. They are tied together by fully interlocked governing bodies. The governing body of the ALA-APA is the ALA-APA Council, whose members are those individuals concurrently serving on the ALA Council. Within the policies established by the ALA-APA Council, the ALA-APA is managed by the Board of Directors, whose members are those individuals concurrently serving on the ALA Executive Board. The ALA-APA Bylaws are available at: www.ala-apa.org/bylaws.

The ALA-APA provides services to librarians and other library workers in two primary areas:

- Certification of individuals in specializations beyond the initial professional degree (see www.ala-apa.org/certification)
- Direct support of comparable worth and pay equity initiatives, and other activities designed to improve the salaries and status of librarians and library workers (see www.ala-apa.org/salaries)

APPENDIX B Fact sheet on ALA's indirect costs

1. What is the Indirect Cost Rate?

It is an overhead or composite rate charged to all units in the preparation of their annual budgets on certain revenues to account for the equitable allocation of commonly shared organization costs.

2. What are Indirect Costs?

These are generally expenses that cover activities related to General Administration, Human Resources, Finance/Accounting, Telephone, Computers and Technology Services, Supplies, Building Maintenance, etc. that are incurred and paid for by the Association, i.e. General Fund for the benefit of all units.

Example: As a stand-alone unit "X" is responsible for all expenses incurred in running their operation, i.e. salary, rent, taxes, legal, HR etc. These are direct costs. However, unit "X," as part of a larger organization, incurs direct costs for only certain activities – salary, professional services, conference equipment rental, temps, etc. Expenses related to keeping the unit's financial records, maintaining the building, public relations, recruiting, etc. are incurred by the larger organization for the benefit of all units at no direct charge to their operation. These are indirect costs.

3. Why is the Indirect Cost Rate Important?

It allows the General Fund to recover a portion of certain day-to-day operational related expenses that are not readily identified to a particular grant, contract, project, function or activity.

4. How was the Indirect Cost Rate Developed?

It is the result of extensive negotiations concluded at the 1989 Annual Conference and made a part of the ALA Operating Agreement. It represents agreement among all the ALA Divisions and Units.

5. What is the Formula Used to Establish the Indirect Cost Rate?

Per the Operating Agreement the rate is determined via a comprehensive financial model that allocates ALA's total direct and indirect expenses.

Indirect Cost Rate Formula – Per Operating Agreement

$$\frac{\text{Indirect Costs}}{\text{Revenues}} = \frac{\text{Conferences + Graphics + Publishing + American Libraries}}{\text{Conferences + Graphics + Publishing + American Libraries}} = \text{Rate}$$

$$\frac{\text{Indirect Costs}}{\text{Revenues}} = \frac{\text{Revenue Producing Units}}{\text{Revenue Producing Units}} = \text{Rate}$$

6. When is the Indirect Cost Rate Developed?

It is developed annually, usually after the Midwinter Meeting, by the ALA Finance Department. It is based on the year-end audited financial statements that are approved each year by the ALA Executive Board and internal financial (Performance) reports.

7. How do divisions benefit from incurring the indirect cost rate?

Publishing Services

- Copyright Services
- Rights & Permissions

Activities of the following Offices

- Executive Office
- Washington Office – OITP, OGR
- Development Office
- Office of Intellectual Freedom
- Office for Literacy and Outreach Services
- Office of Accreditation
- Office of Diversity
- International Relations Office
- Public Information Office
- Office of Research & Statistics
- Office for Human Resource Development & Recruitment
- Library Services (HQ)
- Chapter Relations
- Library Advocacy

Staff Support Services

- Human Resources – Recruitment, Training
- Building Maintenance – Space, Utilities, Elections

Finance and Accounting Services

- Financial Systems – Financial Reporting & Analysis
- Accounting – Financial Record Keeping
- Planning & Budget
- Business Expense – Insurance, Legal, Audit, Taxes
- Credit & Collections

Other Activities

- ITTS – Technology Investment
- Communications – Member/Customer Service, Marketing, PIO

8. How is the indirect cost rate applied?

The Indirect rate will *not* be assessed on revenue from:

- Dues
- Donations
- Interest income
- ALA royalties to Divisions
- Travel expenses reimbursed from outside organizations
- Separately ticketed events at conference – tours/meal function etc.

The Indirect rate will be applied to non-dues revenue generating activities as follows:

- The Indirect rate will be assessed at 100% of the Composite Rate on revenue from Division conferences:
 - Registration Fees
 - Exhibit Space
 - Meal Functions - \$1 per ticket will be applied
- The Indirect rate will be assessed at 50% of the Composite Rate on revenue from Publishing:
 - Sales of Materials (net)
 - Subscriptions
 - Advertising
 - Other Miscellaneous Fees

APPENDIX C Annual Budget Planning Calendar

September – October

ALA management reviews the strategic focus of the Association to plan for the fiscal year budget that starts the following September 1; i.e. one year later.

October - Fall Board Meeting

The Executive Board reviews the strategic plan as presented by the Executive Director/Senior Management and further defines the strategic focus resulting in the broad programmatic objectives. The Executive Board and BARC review and approve the Divisions' final Budgetary Ceiling for the current year.

Midwinter Meeting

The Treasurer presents to Council for approval the broad programmatic objectives determined by the Executive Board. BARC monitors the current budget. President-Elect proposes the presidential program budget for the next fiscal year.

January

ALA unit staff prepare their annual budgets based on broad programmatic objectives.

April

BARC holds hearings for ALA and unit budget proposals.

April – May

The Executive Board receives from Senior Management the preliminary budget for the upcoming fiscal year, which is reviewed and then forwarded to BARC for a detailed analysis.

May – June

Senior management and unit managers update the budget.

Annual Conference

Executive Board approves the budget. Council approves the budgetary ceiling. Division Boards approve their budgets.

August – September

Staff adjusts the budgetary ceiling based on year-end closings and begins preparing the following fiscal year budget and three - year financial plan.

APPENDIX D Financial Learning Series

The Budget Analysis and Review Committee (BARC) and ALA Governance Office and ALA Finance and Accounting Office have produced the online ALA Financial Learning Series. The purpose of the webcasts is to provide a basic understanding of ALA's financial policies and practices and how ALA finances impact all areas/units of the Association. These webcasts are designed to augment the information provided at the ALA Finance Best Practice workshop, which is an education session held by BARC at each Midwinter Meeting for division and unit leadership.

Information provided in the webcasts may be of benefit to ALA members, member leaders, funders, vendors, sponsors and the general public. Note that additional offerings are added as areas of interest are identified.

- ALA Organizational Structure & Decision Making Process
- ALA Operating Agreement
- Budget Cycle and Process
- The Long-Term Investment fund – the Endowment
- Round Tables Financial Orientation – Good Things to Know
- Budget Planning for Events Sponsored by ALA Units (working title)
Projected publication June 2015

Links to the Financial Learning Series and other resources are found on the ALA Treasurer's page.

<http://www.ala.org/aboutala/governance/financialdata/treasurerspage>

APPENDIX E Staff Contacts – ALA

American Library Association staff responsible for governance and financial activities may be found at:

www.ala.org/offices/governance
www.ala.org/offices/finance

APPENDIX F ALA Acronyms

A complete list of American Library Association Acronyms is located at:

www.ala.org/tools/library-related-acronyms-and-initialisms

Section 8: Glossary of Terms

501(c) (3) (ALA) – a tax law provision granting exemption from the federal income tax to non-profit organizations. Exemptions apply to corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals. The American Library Association is a 501(c)(3) organization.

501(c) (6) (ALA - APA) – a tax law provision granting exemption from the federal income tax to a non-profit organization that promotes a line of trade or business. This exemption is reserved for business leagues, chambers of commerce, real estate boards or boards of trade etc. The American Library Association - Allied Professional Association (ALA-APA) is exclusively devoted to a number of functions which cannot be undertaken to a “substantial” extent by the American Library Association, which is organized as a nonprofit educational association under Section 501(c)(3) of the U.S. Internal Revenue Code. These functions are (1) the certification of individuals in specializations beyond the initial professional degree and (2) the direct support of comparable worth and pay equity initiatives and other activities (e.g. legislative lobbying) designed to improve salaries of librarians and other library workers. As a 501(c) (6) professional association, the ALA-APA is able to serve as a vigorous advocate for America’s librarians and other library workers and is able to offer certifications which help promote individual status and the quality of library service.

Accrual Accounting – An accounting method that measures the performance and position of a company by recognizing economic events regardless of when cash transactions occur. The general idea is that economic events are recognized by matching revenues to expenses (the matching principle) at the time in which the transaction occurs rather than when payment is made (or received).

Asset – An item of economic value owned by an individual or organization that can be converted to cash.

Budgetary Ceiling – Except for projects supported by grants to the Association, annual estimates of income are based on the unexpended balance remaining from the previous year plus anticipated revenues for the next budget year. In no case may expenditures be budgeted in excess of the estimates of income arrived at in this manner except for projects

supported by grants to the Association. The budgetary ceiling and the budget objectives for each year are submitted to Council for approval.

Capital Appreciation – an increase in the market value of an asset (marketable securities) over its original cost.

Capital Budget – A detailed plan to secure or finance long-term outlays for fixed assets such as facilities, furniture, equipment, software and hardware.

Credit – Entry on the right side of a DOUBLE-ENTRY BOOKKEEPING system that represents the reduction of an ASSET or expense or the addition to a LIABILITY or REVENUE. (See DEBIT.)

Debit - Entry on the left side of a DOUBLE-ENTRY BOOKKEEPING system that represents the addition of an ASSET or expense or the reduction to a LIABILITY or REVENUE. (See CREDIT.)

Deferred Revenue – Income received but not earned until all events have occurred. Deferred income is reflected as a LIABILITY.

Depreciation – Expense allowance made for wear and tear on an ASSET over its estimated useful life.

Expenses – In accounting, an expense represents an event in which an asset is used up or a liability is incurred.

Grants & Awards – Funds from government and non-government agencies made available to support specific programs, services and initiatives.

Indirect Cost Rate – An overhead or composite rate defined in the operating agreement and charged to all units against certain revenues to account for the equitable allocation of commonly shared organization costs. The rate is based on a formula and is determined before units prepare their annual budgets.

Liability – A financial obligation, debt, claim, or potential loss; i.e., what an organization owes.

Long-Term Investment – The active management of a pool of securities, which includes equities, fixed income (bonds) and real estate investment trusts (REITs) for the purpose of growing the corpus, assets, and investment resources so as to support current and future Association needs, including scholarships, awards and unique programs that build a strong future for the American Library Association and America's libraries.

Market Value – The value that an asset (marketable securities) can receive as determined by open bidding between buyers and sellers in a regulated market place; i.e. New York Stock Exchange.

Net Asset Balance – The accumulated revenues minus expenses for ongoing operations. Funds remaining at any given time are the net asset balance.

Operating Agreement – The term “Operating Agreement” refers to **Section A.4.3.4 Divisions** in the **ALA Policy Manual** where the relationships between ALA, the ALA General Fund and ALA Divisions are defined. See **ALA Policy Manual, Section A: Organization and Operational Policies, Section A.4.3.4 Divisions**.

Operating Budget – The annual budget of an activity; includes revenues, expenses, programs, etc.

Operating Cash – The revenue generated from on-going operations of the primary revenue-generating units and used to fund daily operations.

Overhead Recovered – Reimbursable costs to the General fund (Administration Central) for providing administrative and infrastructure support from certain revenues generated within the Association.

Plant Fund – Consists of capital assets and general operations for buildings, capital equipment, construction in progress, and improvements in buildings, infrastructure or land. This includes:

- ALA Headquarters
- Washington Office
- Connecticut property
- Capital Budget

Realized gain/loss – an investment transaction that recognizes the gain or loss in value of a security when it is sold. Compare to UNREALIZED GAIN / LOSS

Revenues – The amount of money that an organization receives from its activities in a given period, mostly from sales of products and/or services to customers. *Note: conflicts abound as to when revenue should be recognized. The Financial Accounting Standards Board’s (FASB) Statement of Financial Accounting Concept 5 states that revenues should be recognized when they are “realized or realizable” and “earned”. Revenues are “realized or realizable” when products are exchanged for assets (such as cash) or

claims to assets (such as promises to pay). Revenues are “earned” when the entity has performed all duties necessary to the purchaser.

Statement of Operations – Illustrates the profitability (i.e., revenue less expenses) over a given period of time – monthly, quarterly, annually, etc. Also called the income statement.

Statement of Position – Gives a snapshot of holdings (i.e., assets, liabilities and net assets) on a specific date. Also called the balance sheet.

Subscription Equivalent – Dollar amount transferred from the general administration to Publishing in order to offset the net expense of publishing and distributing *American Libraries*, one of the benefits offered ALA members.

Unrealized gain/loss – The prevailing value of an unsold investment, as determined by the market and compared to its original cost that results in a gain or loss in the value. Compare to REALIZED GAIN / LOSS.

Variance – The difference between the actual revenue/expense and the budgeted revenue/expense.

Yield – The annual rate of return - interest/dividends/appreciation – on an investment, expressed as a percentage.

The *ALA Financial Handbook* was compiled by the Budget Analysis and Review Committee 2014-2015 and ALA Finance Office staff and replaces the 1992 edition of the *ALA COPES/Finance and Audit Reference Manual*.

Approved January 31, 2015.

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