Council Financial Orientation

- The ALA Budget and Decision Making Process -

Susan Hildreth – ALA Treasurer

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Washington, DC
The Financial Process Starts and Ends with Your Actions

At Each Midwinter Meeting

- Council approves the Association’s Programmatic Priorities and Strategic Directions

At Each Annual Conference

- Council approves the Annual Estimates of Income
WHERE AN ALA DOLLAR COMES FROM

For every dollar in dues, ALA generates an additional four dollars in revenue from publications, meetings and conferences, grants and awards, interest and dividends and other revenue sources. Percentages are based on the 2019 ALA budget and include revenues from divisions, round tables, and the ALA general fund. “Interest & Dividends” includes interest income and support from the ALA Endowment Fund. “Other” includes royalties and miscellaneous fees and revenues.

Based on the approved 2019 budget
Based on the approved 2019 budget
ALA Operating Structure
The ALA Strategic Directions & Five Year Financial Plan

How Do We Achieve the ALA’s Mission and Fund It?

Guided by ALA’s Mission and Strategic Directions, the ALA Five Year Financial Plan and Annual Budget act as ALA’s financial “roadmap”
Who are Key Stakeholders in Development of ALA Budget?

- Broad Overview
  - Strategic Plan
  - Senior Management
  - Planning & Budget Assembly
  - Member Leaders

- Staff View
  - Divisions
  - Round Tables
  - Committees
  - Departments
  - Units

- Governance View
  - Executive Board
  - Council
  - BARC
  - Finance & Audit Committee
Budget Analysis and Review Committee
- BARC -

• ALA Council standing committee
  - six members at large from general membership
  - two members from Executive Board
  - ALA Treasurer is a member

• Has primary responsibility for detailed review and monitoring of budget

• Reviews current year’s budget financial performance

• Reports to Council on performance of budget

• Reviews proposed budget as forwarded from Executive Board in spring

• Reviews resolutions from Council that may have potential financial implications
Council Referrals to BARC

• BARC is charged with determining financial impact, if any, of any referrals from Council
• BARC works closely with Resolutions Committee to provide a transparent review process for resolutions
• BARC reports to Council on findings of financial impact analysis
• Recent Council Referrals to BARC
  • Roadblocks to Diversity Leaderships
  • Fossil Fuel Investments in ALA Endowment
With the dual goals of mission attainment and financial sustainability, the process for FY19 began in Oct-Dec 2017 (1st Quarter FY18)
Other Important Information to Know

• Final adjustments can and are made to budget between Annual Conference and Fall Executive Board meeting
  - Final budget is approved in October, even though new fiscal year starts in September

• New projects/initiatives introduced outside approved budget process will generally have to wait until next budget cycle
  - New projects/initiatives developed outside budget process are handled on a case by case basis and encouraged to wait until next budget cycle
The ALA Operating Agreement

- Establishes a shared responsibility for the management of the Association
- Adopted in 1976 by ALA Council, revised in 1982
- Framework for ALA General Fund and Divisions to function together effectively and efficiently
- Divisions have autonomy, independence and freedom to pursue goals and objectives specific to them
- Collaboration/Cooperation is our primary priority as ALA and its Divisions have opportunities...to stimulate and build on each other’s strengths
An Important Aspect of the Operating Agreement

The Overhead AKA Indirect Cost Rate

• Covers mandated central services i.e. Human Resources, Accounting, Building, Office Space, Legal etc.

• Rate is calculated annually in Spring/Early Summer via a financial model

• Calculation is determined by taking indirect costs generated by the model for ALA’s revenue generating units - *Conferences and Publishing* divided by their revenue
## The FY 2020 Indirect Cost Rate – 26.5%

*Applied to FY 19 & FY20 Budgets*

<table>
<thead>
<tr>
<th>Revenue Category</th>
<th>Calculated Overhead Rate</th>
<th>% of Rate</th>
<th>Effective Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Publishing*</td>
<td>26.5%</td>
<td>50%</td>
<td>13.25%</td>
</tr>
<tr>
<td>Meetings &amp; Conferences</td>
<td>26.5%</td>
<td>100%</td>
<td>26.5%</td>
</tr>
<tr>
<td>Contributions</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

*Includes Sale of Materials, Advertising and Subscriptions
Source: Rate application - ALA Operating Agreement page 8
## General Fund Net Revenue Sources – 2018

- and other support -

<table>
<thead>
<tr>
<th>Source</th>
<th>Revenues</th>
<th>Overhead Support</th>
<th>Total Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest &amp; Earnings</td>
<td>$1,110,410</td>
<td>$0</td>
<td>$1,110,410</td>
</tr>
<tr>
<td>Membership Dues - Net</td>
<td>$5,272,729</td>
<td>$0</td>
<td>$5,272,729</td>
</tr>
<tr>
<td>Publishing - Net</td>
<td>$264,796</td>
<td>$3,208,395</td>
<td>$3,473,191</td>
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<tr>
<td>Meetings &amp; Conferences - Net</td>
<td>$287,050</td>
<td>$2,344,365</td>
<td>$2,631,415</td>
</tr>
<tr>
<td>Other</td>
<td>$550,570</td>
<td>$2,748,577*</td>
<td>$3,299,147</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$7,485,555</td>
<td>$8,301,337</td>
<td>$15,786,892</td>
</tr>
</tbody>
</table>

Source: Audited financial statements and Internal financial reports - final close

*Overhead contribution from Divisions, Roundtables and Grants
## Total ALA Revenues and Expenses YTD 4-30-19

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Net Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$29,236,987</td>
<td>$34,340,501</td>
<td>$(5,103,514)</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$29,603,535</td>
<td>$33,216,873</td>
<td>$(4,613,338)</td>
</tr>
<tr>
<td>Net Expenses</td>
<td>$-</td>
<td>$-</td>
<td>$(5,000,000)</td>
</tr>
</tbody>
</table>
Key Initiatives/Additional Investments in FY 19 Budget

• Enhance fundraising capacity
  ✓ Reallocate existing staff positions to support 2.5 additional FTE
  ✓ Major gifts director, prospect researcher and support

• Support 21st century advocacy efforts
  ✓ CRM (customer relations management) system for advocacy information
  ✓ Support for enhanced outreach and engagement including “fly-in” event early in budget season for strategic legislative contacts

• Strengthen IT infrastructure and services
  ✓ First year of three-year planned investment for capacity and customer service
  ✓ Improved access to services, communication and information for members, staff and public
## FY 19 Investment Spending
### FY 20 Investment Budget

The FY 20 investment budget for Advocacy includes an additional $60,000 to fund the National Public Policy Corps, not included in original investment plan.

<table>
<thead>
<tr>
<th>FY19 Spending</th>
<th>FY20 Budget</th>
<th>FY21 Budget</th>
<th>Total Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Budget</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advocacy</td>
<td>$300,000</td>
<td>X</td>
<td>$430,000</td>
</tr>
<tr>
<td>Development</td>
<td>$176,750</td>
<td>X</td>
<td>$276,000</td>
</tr>
<tr>
<td>ITTS</td>
<td>$632,200</td>
<td>X</td>
<td>$908,200</td>
</tr>
<tr>
<td><strong>Total Operating Budget</strong></td>
<td>$1,108,950</td>
<td></td>
<td>$1,614,200</td>
</tr>
</tbody>
</table>

| **Capital Budget** | | | |
| Advocacy | $110,000 | X | $62,000 | $62,000 | $234,000 |
| Development | - | NA | - | - | - |
| ITTS | $728,298 | X | $605,298 | $1,466,965 | $2,800,561 |
| **Total Capital Budget** | $838,298 | | $667,298 | $1,528,965 | $3,034,561 |

**Total Investment Budget**: $1,947,248

**Total**: $2,281,498

**Total**: $4,672,165

**Total**: $8,900,911
Net Assets is the difference between what we have and what we owe.
Additional Useful Resources

• Member Leaders
  ➢ Treasurer  shhildreth@comcast.net
  ➢ BARC Chair

• ALA Staff
  ➢ Executive Director
  ➢ Division Executive Directors
  ➢ CFO
  ➢ ALA Finance Staff

• Online Webinars and Other Training
  ➢ www.ala.org/aboutala/governance/financialdata
  ➢ www.ala.org/aboutala/governance/financialdata/finlearn