

**American Library Association
Finance and Audit Committee Report
to the ALA Executive Board
April 8, 2017**

On Thursday, April 6, 2017, F&A met and discussed the following items:

Meeting as the ALA Finance and Audit Committee:

- Mark Leon, CFO, presented a detailed review of FY 2017 Financial Results as of 2/28/17 and Year-end Projections (EBD #14.2.1/ BARC #5): Revenues lagged the budget by 8.1%; expenses were 5.7% less than expected, because of careful expense management and adjustments to projected revenues; funding plans for remainder of FY 2017 have been adjusted based on actuals and final projections.
- It should be noted that performance is much closer to budget than in FY 2016. Minimal net revenue is expected for year-end close.
- Keith Fiels, Executive Director and Mark Leon, CFO presented a detailed review of ALA Five-Year Plan (EBD Info #3/BARC Info #3): Plan continues to serve as an effective tool for guiding revenue and expense estimates and for future planning.
- Keith Fiels, Executive Director and Mark Leon, CFO, presented a detailed review of FY 2018 Preliminary Budget (EBD #14.6/BARC#20): This is a conservative budget with significant investment by the divisions. This budget has a 3.0% increase in budgeted revenue compared to FY 2017, primarily due to publishing and division conference activity and a 1% increase in expenses primarily due to division net asset investments in development activities. Please see EBD #14.6 for extensive discussion of the preliminary budget.

Action Item: F&A recommends to the Executive Board that the ALA Preliminary FY 2018 Budget be forwarded to the Budget Analysis and Review Committee (BARC) for further analysis and review. The Board affirms the strategic directions of this budget and requests that BARC report back on its analysis at the 2017 Annual Conference in Chicago.

- Joanne Lee, Controller, presented a detailed review of the Controller's Report (EBD #4.12) by Joanne Lee, Controller: We continue to manage our assets and

liabilities carefully, which has resulted in a strong cash to debt ratio of 6.46, far above the J.P. Morgan Chase required ratio of 1.1. Growth in the endowment of \$5.1 million from 2-28-16 was a major contributing factor. The negotiated grant rate of 22.42% was approved and locked in for a three-year period ending 8/31/19.

- Denise Moritz, Compliance Director, presented a detailed review of Financial Reporting and Compliance Report (EBD #4.13): We continue to submit all tax and audit filings in a timely manner. The audit of the Association's retirement plan (403B) is in progress, while the required US Census Bureau report and Annual report filing to the Illinois Secretary of State have been submitted.
- Endowment Trustees Report (EBD #13.3): Endowment investments continue to do well. The value of the portfolio as of 2-28-17 was \$41.2 million. Susan Hildreth, Keith Brown and Mark Leon reported on the February trustee education meeting held in New York City, where several presentations were made. The trustees expressed a great deal of interest in the TIAA presentation on socially responsible investing options, which will be reviewed in more detail at a future Trustee meeting. It was also noted that the trustees are making efforts to improve the performance benchmarking of the portfolio by researching for endowments with similar characteristics and size.

F&A extends its sincere thanks to the ALA finance staff: Mark Leon, Joanne Lee, Keith Brown, Brad Geene, Denise Moritz and Latasha Bryant for their work throughout the year and support in preparing for the committee meetings and discussions. Special recognition goes out to Latasha Bryant, who has moved on in the organization to the Governance Office and will be sorely missed. The chair would also like to thank Keith Michael Fiels and Mary Ghikas for their insightful and helpful input and participation.

Respectfully submitted:

Susan Hildreth, Treasurer and Chair

Loida Garcia-Febo (Absent)

Peter Hepburn

Andrew Pace

Ann Martin, BARC Chair