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.

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 off of the year-end audited financial statements, that are approved each year by the ALA Executive Board, and internal financial (Performance) reports.

**WHAT DO YOU GET FOR INCURRING THE INDIRECT COST RATE?**

**Publishing Services**
- Copyright Services
- Rights & Permissions

**Activities of the 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

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.
- Advertising¹

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 Functions²

- The Indirect rate will be assessed at 50% of the Composite Rate on revenue from Publishing:
  - Sales of Materials (net)
  - Subscriptions
  - Advertising³
  - Other Miscellaneous Fees

¹ Except in those publications which are provided to Division members as a prerequisite of membership
² Except for separately ticketed events
³ Except in those publications which are provided to Division members as a perquisite of membership