Council Financial Orientation

- The ALA Budget and Decision Making Process -

Susan Hildreth – ALA Treasurer

Saturday - June, 23 2018
New Orleans, LA
The 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
Sources of ALA Revenue

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>16%</td>
<td>Dues</td>
</tr>
<tr>
<td>26%</td>
<td>Meetings &amp; Conferences</td>
</tr>
<tr>
<td>34%</td>
<td>Publishing</td>
</tr>
<tr>
<td>10%</td>
<td>Grants</td>
</tr>
<tr>
<td>3%</td>
<td>Interest</td>
</tr>
<tr>
<td>11%</td>
<td>Other</td>
</tr>
</tbody>
</table>

Based on the approved 2018 budget
Where Does Your ALA Dollar Go?

<table>
<thead>
<tr>
<th>%</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>14%</td>
<td>Advocacy</td>
</tr>
<tr>
<td>10%</td>
<td>Equity, Diversity and Inclusion</td>
</tr>
<tr>
<td>10%</td>
<td>Information Policy and Intellectual Freedom</td>
</tr>
<tr>
<td>41%</td>
<td>Professional and Leadership Development</td>
</tr>
<tr>
<td>25%</td>
<td>Member Services and Support</td>
</tr>
</tbody>
</table>

Based on the approved 2018 budget
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
BARC is a standing committee of ALA Council, consisting of eight members serving non renewable terms:
- six members at large from general membership
- two members from Executive Board (staggered 2 year terms)
- ALA Treasurer is a member

Although the Executive Board has the fiduciary responsibility for the budget, BARC has the primary responsibility for detailed review and monitoring of the budget.

- Charged to review proposed budget as forwarded from Executive Board within the context of the ALA strategic plan and annual priorities.
- Reviews current year's budget financial performance.
- Reviews resolutions from Council that may have potential financial implications.
- Makes budget recommendations to Executive Board.
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**
  • Services to Immigrants and Refugees
  • Fossil Fuel Investments in ALA Endowment
  • Roadblocks to Diversity Leaderships
ALA's Annual Budget Process
How Do We Set Priorities and Allocate Resources Annually?

The ALA Budget Cycle

**Preparation (Oct-Dec)**
- ALA Staff:
  - updates Five Year Plan
  - creates revenue projections
  - develops budget requests

**Fall BARC (Oct)**
- ALA “Final” Budget presented to BARC, F&A, and Board

**Midwinter BARC (Jan-Feb)**
- Key Fiscal Year Assumptions presented to BARC.
- PBA guidance and input
- Approval by Council

**Annual Conference BARC (Jun – Jul)**
- ALA “Total” Budget presented to BARC, F&A, and Board
- Approval by Council

**Spring BARC (Apr-May)**
- ALA “Preliminary” Budget presented to BARC, F&A, and Board

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 at this time (October), even though new fiscal year has started

• Once final budget is approved, it is final

• 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 the 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.

• The rate is calculated annually in Spring/Early Summer via a financial model.

• The calculation is determined by taking the indirect costs generated by the model for ALA’s revenue generating units - Conferences and Publishing divided by their revenue.
The FY 2017 Indirect Cost Rate – 26.4%

<table>
<thead>
<tr>
<th>Revenue Category</th>
<th>Calculated</th>
<th>% of Rate</th>
<th>Effective Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues</td>
<td></td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Publishing*</td>
<td>26.4%</td>
<td>50%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Meetings &amp; Conferences</td>
<td>26.4%</td>
<td>100%</td>
<td>26.4%</td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></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 – 2017

- and other support -

<table>
<thead>
<tr>
<th></th>
<th>Revenues</th>
<th>Overhead Support</th>
<th>Total Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest &amp; Earnings</td>
<td>$1,333,533</td>
<td>$0</td>
<td>$1,333,533</td>
</tr>
<tr>
<td>Membership Dues - Net</td>
<td>$5,363,955</td>
<td>$0</td>
<td>$5,363,955</td>
</tr>
<tr>
<td>Publishing - Net</td>
<td>$479,990</td>
<td>$2,909,300</td>
<td>$3,389,290</td>
</tr>
<tr>
<td>Meetings &amp; Conferences - Net</td>
<td>$752,015</td>
<td>$2,482,732</td>
<td>$3,234,747</td>
</tr>
<tr>
<td>Other</td>
<td>$612,489</td>
<td>$2,080,969*</td>
<td>$2,693,458</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$8,814,982</td>
<td>$7,473,001</td>
<td>$16,014,983</td>
</tr>
</tbody>
</table>

*Overhead contribution from Divisions, Roundtables and Grants*
Eight Month Financial Results Ending 4-30-18
- Total ALA -

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Expenses</th>
<th>Net Revenue (Expenses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Budget</td>
<td>Actual</td>
</tr>
<tr>
<td>$(5,000,000)</td>
<td>$(5,000,000)</td>
<td>$(5,000,000)</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$5,000,000</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>$10,000,000</td>
<td>$10,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>$15,000,000</td>
<td>$15,000,000</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>$20,000,000</td>
<td>$20,000,000</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>$25,000,000</td>
<td>$25,000,000</td>
<td>$25,000,000</td>
</tr>
<tr>
<td>$30,000,000</td>
<td>$30,000,000</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>$35,000,000</td>
<td>$35,000,000</td>
<td>$35,000,000</td>
</tr>
<tr>
<td>$40,000,000</td>
<td>$40,000,000</td>
<td>$40,000,000</td>
</tr>
</tbody>
</table>

- Total ALA revenues were $33.2 million compared to budget of $32.9 million
- Total ALA expenses were $34.2 million compared to budget of $34.4 million
- Net revenue (expense) was $131,155 compared to budget of ($1.7 million)
- Total ALA results are tracking well compared to the budget
Key Initiatives/Additional Investments in FY 19 Proposed 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
FY19 Preliminary Budget Details
(The Numbers Behind Our Plan for FY19)

TOTAL ALA

$46.7M

<table>
<thead>
<tr>
<th>OPERATING</th>
<th>CAPITAL</th>
<th>GRANTS &amp; AWARDS</th>
<th>ALA ENDOWMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund $28.4M</td>
<td>Headquarters Building</td>
<td>$3.9M</td>
<td>$0.6M</td>
</tr>
<tr>
<td>Divisions $13.4M</td>
<td>DC &amp; CHOICE Offices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Round Tables $0.4M</td>
<td>IT, Furniture &amp; Equipment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- General Fund FY19 Revenue Budget of $28.4M
- General Fund FY19 Expense Budget of $30.1M
- Budgeted FY19 Net Expense of ($1.7 M)
- Support from Net Assets of $1.7 M
- General Fund Net Revenue of $0
Net Assets is the difference between what we have and what we owe.

ASSETS = LIABILITIES + NET ASSETS

**ASSETS**
- Cash
- Accounts Receivable
- Inventory
- Investments
- Land

**NET ASSETS**
$39.9M
(55% of Assets)

**LIABILITIES**
- Accounts Payable
- Payroll
- Debt
- Post-Retirement Benefits

**LIABILITIES**
$32.6M
(45% of Assets)

ALA’s Balance Sheet as of FYE 2017

Net Assets is the difference between what we have and what we owe.
A Need to Transition
- Keeping with Policy -

**Budgetary Ceiling Components**
- Unexpended Net Assets for the Divisions and Roundtables
- + Budgeted revenues for the upcoming fiscal year for the
  - General Fund
  - Divisions
  - Roundtables
  - Grants & Awards
  - Long-Term Investments

• = Budgetary Ceiling

**Annual Estimates of Income Components**
- Unexpended net assets for total ALA
- + Budgeted revenues for the upcoming fiscal year for the
  - General Fund
  - Divisions
  - Roundtables
  - Grants & Awards
  - Long-Term Investments

• = Annual Estimates of Income
### ALA Fiscal Year 2019 Budgetary Ceiling

As part of ALA’s annual budget process, a budgetary ceiling is calculated and presented to the Budget Analysis and Review Committee (BARC) for approval. The budgetary ceiling document captures and presents all available resources, or sources of funds, that can be expended during the subsequent fiscal year. Sources include a starting amount represented by any accumulated Net Asset Balances, where applicable, built up over previous fiscal years. Additionally, these Net Asset balances are supplemented by budgeted revenues as well as any inter-fund transfers. The total of these sources represents the ceiling, or maximum available resources from all sources. BARC is charged with reviewing and approving the individual fund ceilings and Total All Funds ceiling presented in the bottom row below.

<table>
<thead>
<tr>
<th></th>
<th>General Fund*</th>
<th>Divisions</th>
<th>Round Tables</th>
<th>Grants &amp; Awards</th>
<th>Long-term Investment</th>
<th>Total ALA Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) Net Asset Balance (projected at end of FY 2017)</strong></td>
<td>Not Applicable</td>
<td>13,263,800</td>
<td>1,780,316</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>15,044,116</td>
</tr>
<tr>
<td><strong>FY 2019 Budgeted Revenues (before transfers)</strong></td>
<td>27,749,958</td>
<td>13,412,220</td>
<td>398,284</td>
<td>3,907,243</td>
<td>1,032,138</td>
<td>46,499,843</td>
</tr>
<tr>
<td><strong>FY 2019 Budgeted Revenue Transfers:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest &amp; dividend transfer to\from General Fund</td>
<td>603,295</td>
<td></td>
<td></td>
<td>(603,295)</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Spectrum interest &amp; dividends</td>
<td></td>
<td></td>
<td></td>
<td>232,393</td>
<td></td>
<td>232,393</td>
</tr>
<tr>
<td>Life Member Dues</td>
<td>74,000</td>
<td>11,940</td>
<td></td>
<td>(85,940)</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Continuing Members</td>
<td>(2,400)</td>
<td>2,400</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td><strong>B) Total Revenues (budgeted plus transfers)</strong></td>
<td>28,353,253</td>
<td>13,426,560</td>
<td>398,284</td>
<td>3,907,243</td>
<td>575,296</td>
<td>46,660,636</td>
</tr>
<tr>
<td><strong>A+B) = TOTAL ALA BUDGETARY CEILING (for approval)</strong></td>
<td>28,353,253</td>
<td>26,690,360</td>
<td>2,178,600</td>
<td>3,907,243</td>
<td>575,296</td>
<td>61,704,752</td>
</tr>
</tbody>
</table>
Per Article IX, Finances, Section 1 of ALA's Bylaws: Annual estimates of income shall be based upon the unexpended balance remaining from the previous year plus anticipated revenues for the next budget year. BARC is charged with reviewing and approving the Annual Estimates of Income.

### Annual Estimate of Income

<table>
<thead>
<tr>
<th></th>
<th>TOTAL ALA</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALA Net Assets (projected at end of FY 2018)</td>
<td>$37,643,998</td>
</tr>
<tr>
<td>FY 2019 Budgeted Revenues</td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>28,353,253</td>
</tr>
<tr>
<td>Divisions</td>
<td>13,426,560</td>
</tr>
<tr>
<td>Roundtables</td>
<td>398,284</td>
</tr>
<tr>
<td>Grants &amp; Awards</td>
<td>3,907,243</td>
</tr>
<tr>
<td>Endowment</td>
<td>575,296</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>46,660,636</strong></td>
</tr>
</tbody>
</table>

**FY 2019 Annual Estimates of Income**  
$84,304,634

### Memo Only

<table>
<thead>
<tr>
<th>Estimates of Income by Fund</th>
<th>Divisions</th>
<th>Round Tables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available Net Asset Balance (projected at end of FY 2018)</td>
<td>$13,263,800</td>
<td>$1,895,316</td>
</tr>
<tr>
<td>FY 2019 Budgeted Revenues</td>
<td>13,426,560</td>
<td>398,284</td>
</tr>
<tr>
<td>FY 2019 Annual Estimates of Income</td>
<td>$26,690,360</td>
<td>$2,293,600</td>
</tr>
</tbody>
</table>
Additional Useful Resources

• Member Leaders
  ➢ Treasurer
  ➢ BARC Chair

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

• Online Webinars and Other Training
  ➢ [www.ala.org/aboutala/governance/financialdata](http://www.ala.org/aboutala/governance/financialdata)
  ➢ [www.ala.org/aboutala/governance/financialdata/finlearn](http://www.ala.org/aboutala/governance/financialdata/finlearn)