

Council Financial Orientation

- The ALA Budget and Decision Making Process -

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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



16%	26%	34%	10%	3%	11%
Dues	Meetings & Conferences	Publishing	Grants	Interest	Other

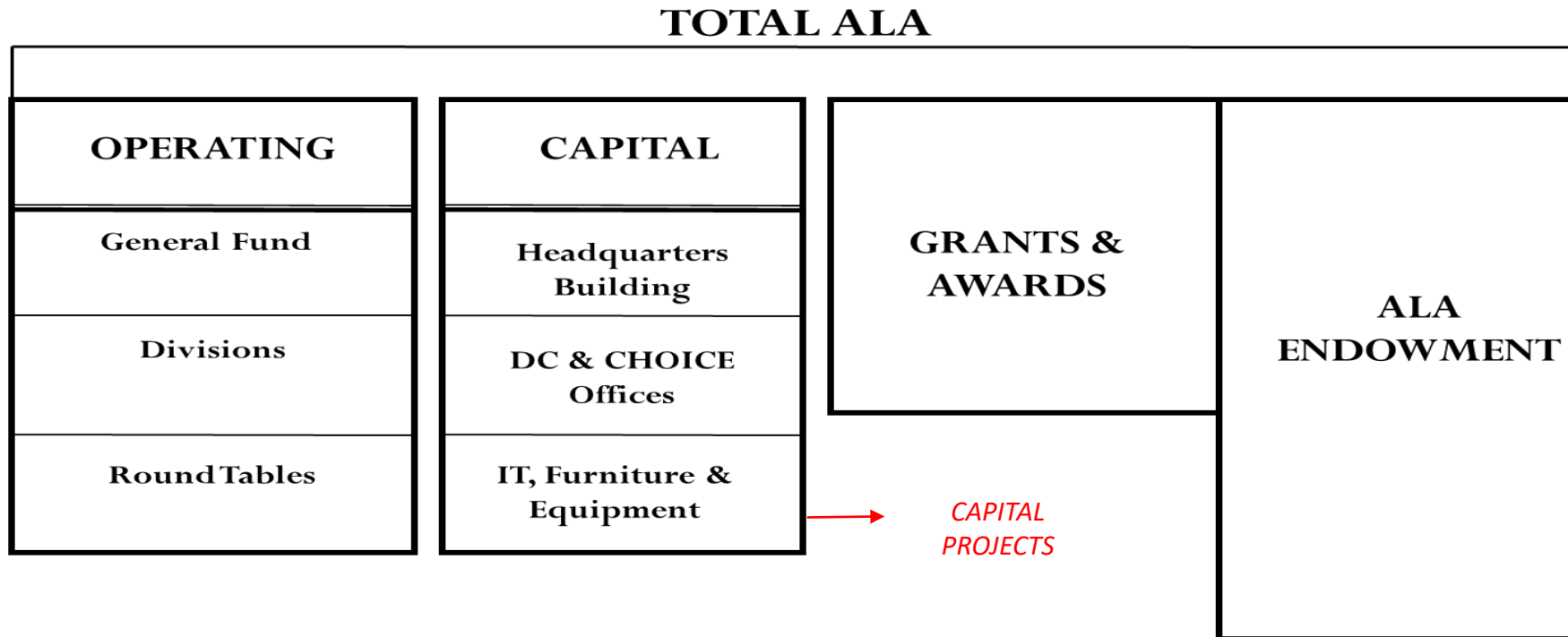
Where Does Your ALA Dollar Go?



14% Advocacy	10% Equity, Diversity and Inclusion	10% Information Policy and Intellectual Freedom	41% Professional and Leadership Development	25% Member Services and Support
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Based on the approved 2018 budget

ALA Operating Structure



The ALA Strategic Directions & Five Year Financial Plan

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

ALA Mission

- ALA Key Action Areas**
- Advocacy for Libraries & the Profession
 - Diversity
 - Education & Lifelong Learning
 - Equitable Access
 - Intellectual Freedom
 - Literacy
 - Organizational Excellence
 - Transforming Libraries

- ALA Strategic Directions**
- Advocacy
 - Information Policy
 - Professional & Leadership Development
 - Equity, Inclusion and Diversity

Core Organizational Values

ALA Five Year Plan

	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Plan 2016	Plan 2017	Plan 2018	Plan 2019	Plan 2020
TOTAL ALA	\$ 10,402,041	\$ 10,875,048	\$ 12,020,818	\$ 12,645,009	\$ 12,880,000	\$ 13,266,000	\$ 13,266,000	\$ 13,266,000	\$ 13,266,000
OVERHEAD RATE	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
GENERAL FUNDS	\$ 1,021,211	\$ 1,081,211	\$ 1,161,211	\$ 1,221,211	\$ 1,281,211	\$ 1,341,211	\$ 1,401,211	\$ 1,461,211	\$ 1,521,211
Net Revenue and Expenses	\$ 10,381,830	\$ 10,854,837	\$ 11,900,607	\$ 12,624,798	\$ 12,858,789	\$ 13,246,789	\$ 13,246,789	\$ 13,246,789	\$ 13,246,789

ALA Fiscal Year 2017 Budgetary Ceiling

Background and purpose: 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 appropriated Net Asset Balances from all 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 top row below.

	General Fund*	Reserves	Budget Tables	Grants & Awards	Long-Term Investments	TOTAL ALL FUNDS
A-1) TOTAL ALA BUDGETARY CEILING (for approval)	30,329,362	26,587,887	2,581,951	3,413,210	366,368	64,379,278
A) Net Asset Balance (projected at end of FY 2016)		14,761,317	1,549,643			16,310,960
FY 2017 Budgeted Revenues (before transfers)	29,074,333	11,611,230	441,908	3,413,210	1,214,907	47,755,588
FY 2017 Budgeted Revenue Transfers	981,029				(981,029)	0
Interfund & dividend transfer to General Fund					212,730	212,730
Spectrum Interest & Dividends	68,000	12,340			(80,340)	0
Life Member Dues	(3,000)	9,000				0
Continuing Members						0
B) Total Revenues (Budgeted plus transfers)	30,329,362	11,625,570	441,908	3,413,210	366,368	47,368,918

* As per ALA Operating Practice, the General Fund's Net Asset Balance, if any, is not considered for the calculation as each fiscal year's budget is approved with revenues balancing expenses.

ALA Annual Budget

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

- Governance View

- Executive Board
- Council
- BARC
- Finance & Audit Committee

- Staff View

- Divisions
- Round Tables
- Committees
- Departments
- Units



Budget Analysis and Review Committee

- BARC -

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.

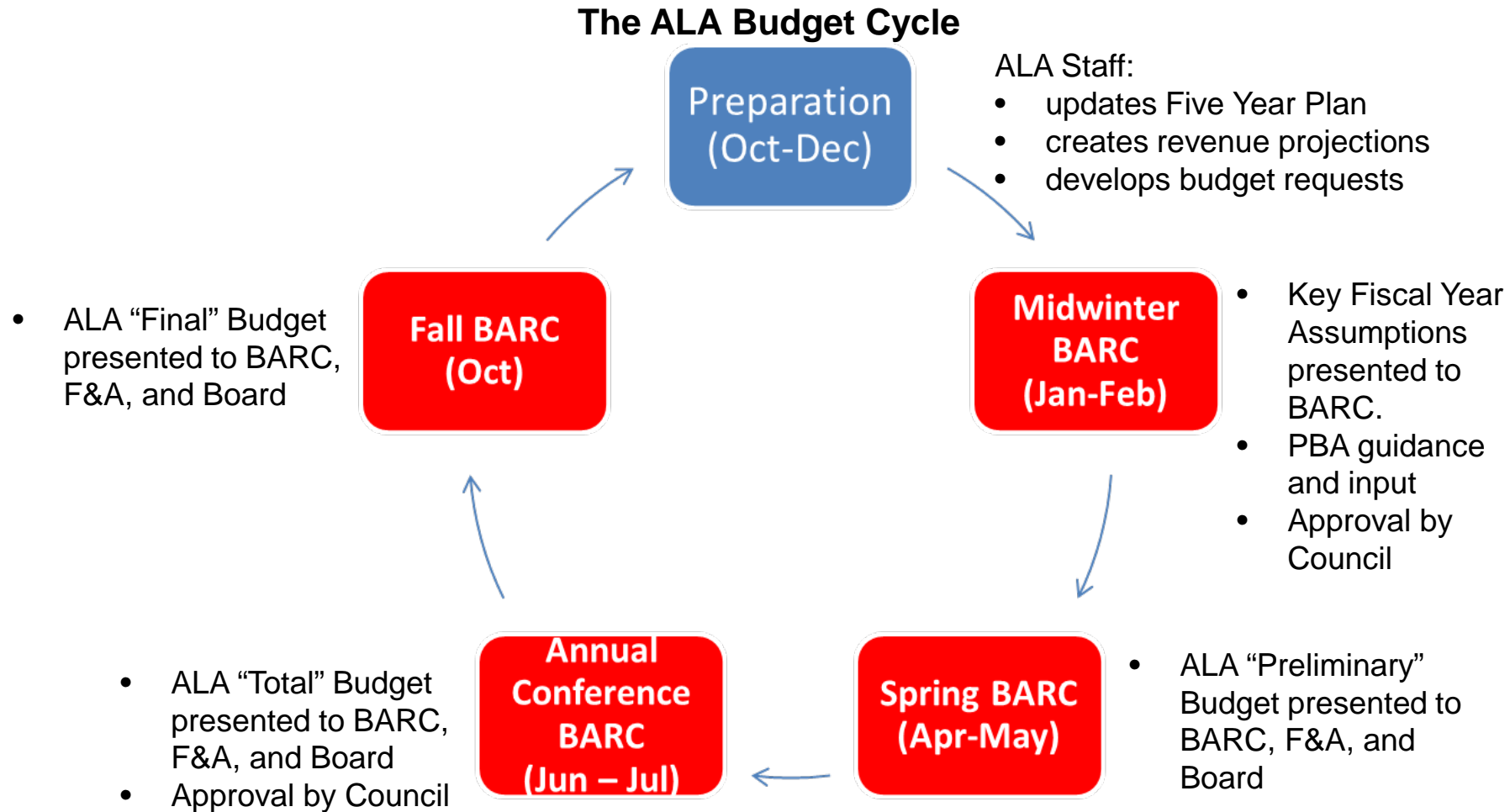
- Charged to review proposed budget as forwarded from Executive Board within the context of the ALA strategic plan and annual priorities.
- Reviews current year's budget financial performance.
- Reviews resolutions from Council that may have potential financial implications.
- Makes budget recommendations to Executive Board.
- Reports to Council on performance of budget.

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?



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%

	Calculated	% of Rate	Effective
<u>Revenue Category</u>	<u>Overhead Rate</u>	<u>Applied</u>	<u>Rate</u>
Dues	26.4%	NA	NA
Publishing*		50%	13.2%
Meetings & Conferences		100%	26.4%
Contributions		NA	NA
Miscellaneous		NA	NA

*Includes Sale of Materials, Advertising and Subscriptions
 Source: Rate application - ALA Operating Agreement page 8

General Fund Net Revenue Sources – 2017

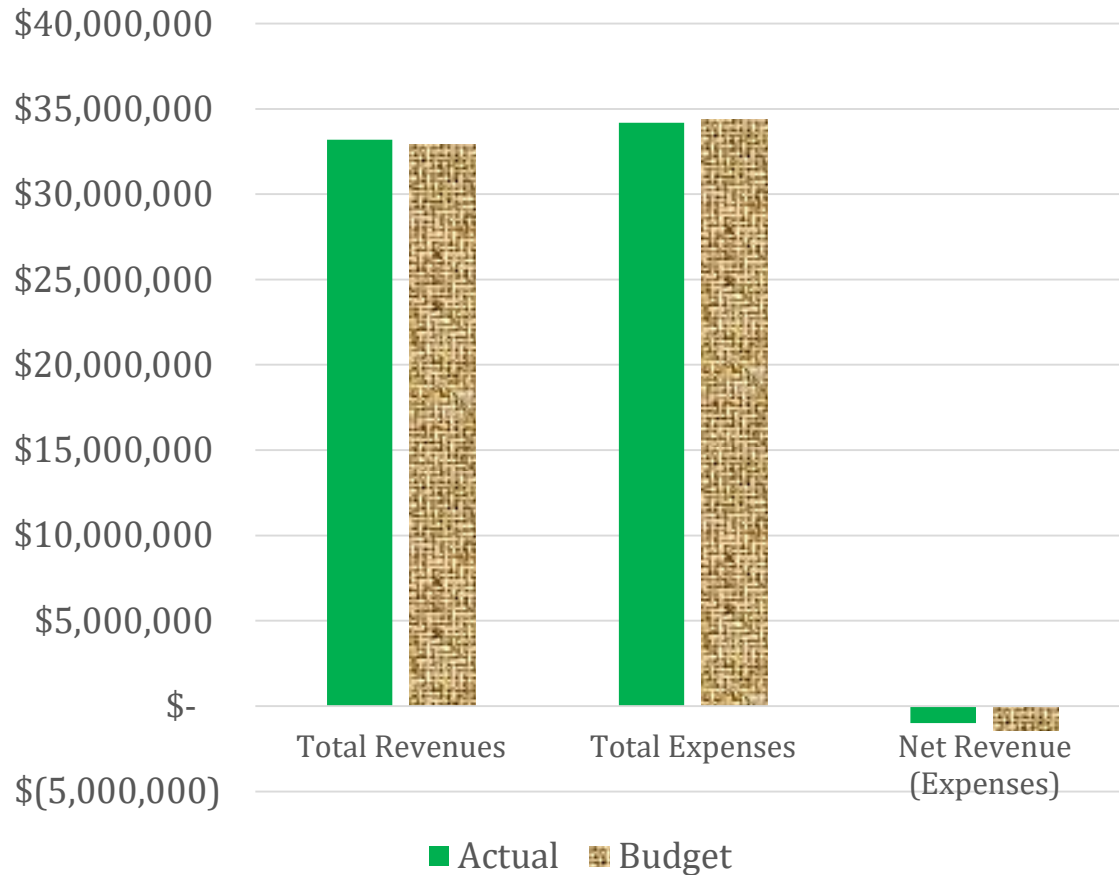
- and other support -

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

*Overhead contribution from Divisions, Roundtables and Grants

Eight Month Financial Results Ending 4-30-18

- Total ALA -



- 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

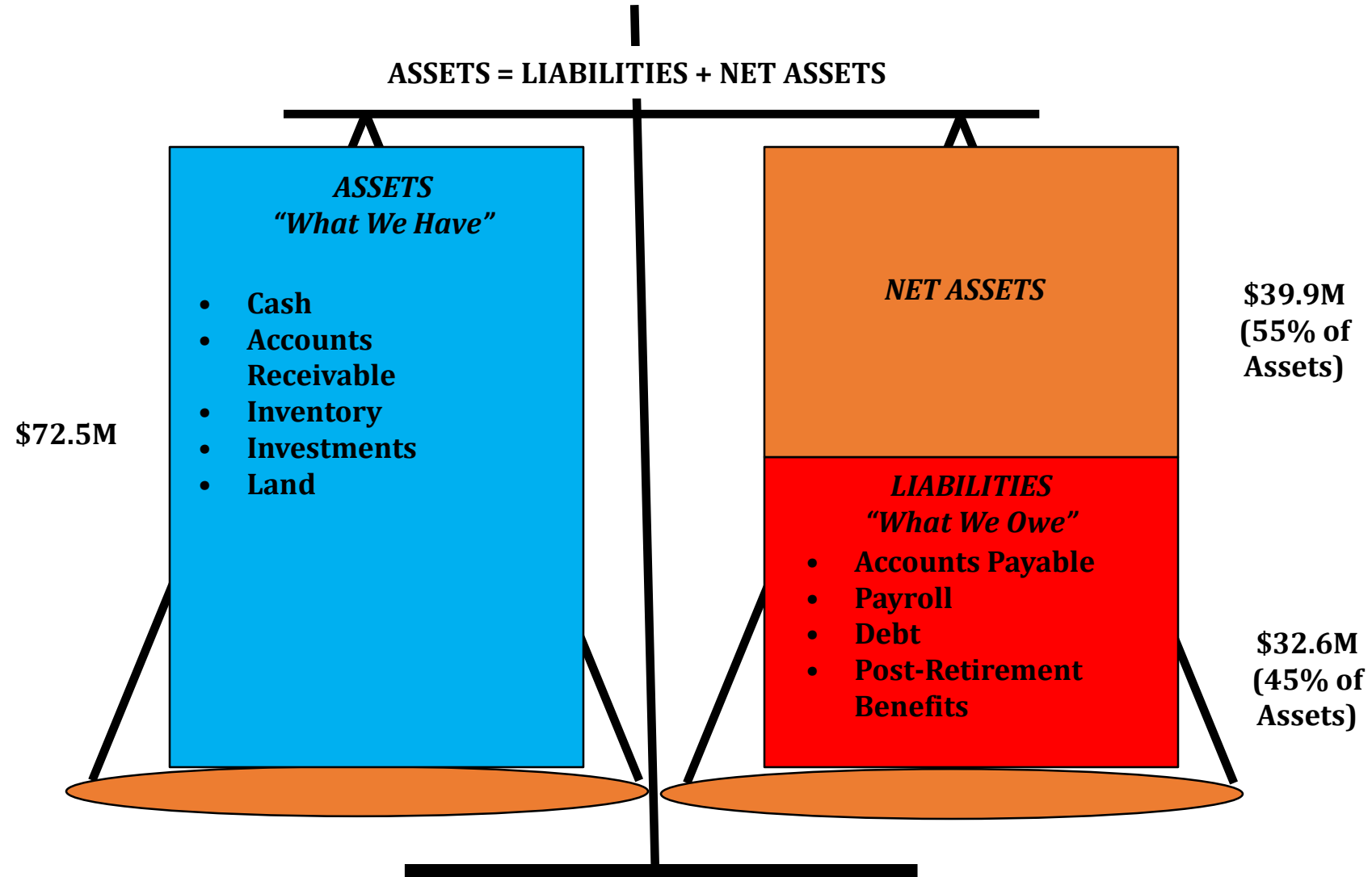
(The Numbers Behind Our Plan for FY19)

TOTAL ALA

\$46.7M			
OPERATING	CAPITAL	GRANTS & AWARDS \$3.9M	ALA ENDOWMENT \$.6M
General Fund \$28.4M	Headquarters Building		
Divisions \$13.4M	DC & CHOICE Offices		
Round Tables \$0.4M	IT, Furniture & Equipment	<i>CAPITAL PROJECTS \$TBD</i>	

- 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

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

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	General Fund*	Divisions	Round Tables	Grants & Awards	Long-term Investment	Total ALA Funds
A) Net Asset Balance (projected at end of FY 2017)	Not Applicable	13,263,800	1,780,316	Not Applicable	Not Applicable	15,044,116
FY 2019 Budgeted Revenues (before transfers)	27,749,958	13,412,220	398,284	3,907,243	1,032,138	46,499,843
FY 2019 Budgeted Revenue Transfers:						
Interest & dividend transfer to\from General Fund	603,295				(603,295)	0
Spectrum interest & dividends					232,393	232,393
Life Member Dues	74,000	11,940			(85,940)	0
Continuing Members	(2,400)	2,400				0
B) Total Revenues (budgeted plus transfers)	28,353,253	13,426,560	398,284	3,907,243	575,296	46,660,636
A+B) = TOTAL ALA BUDGETARY CEILING (for approval)	28,353,253	26,690,360	2,178,600	3,907,243	575,296	61,704,752

ALA Fiscal Year 2019 Annual Estimates of Income

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	TOTAL ALA
ALA Net Assets (projected at end of FY 2018)	\$ 37,643,998
FY 2019 Budgeted Revenues	
General Fund	28,353,253
Divisions	13,426,560
Roundtables	398,284
Grants & Awards	3,907,243
Endowment	575,296
TOTAL	46,660,636
FY 2019 Annual Estimates of Income	\$ 84,304,634

Memo Only		
Estimates of Income by Fund	Divisions	Round Tables
Available Net Asset Balance (projected at end of FY 2018)	\$ 13,263,800	\$ 1,895,316
FY 2019 Budgeted Revenues	13,426,560	398,284
FY 2019 Annual Estimates of Income	\$ 26,690,360	\$ 2,293,600

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
 - www.ala.org/aboutala/governance/financialdata/finlearn
 - [http://www.ala.org/aboutala/sites/ala.org.aboutala/files/content/governance/financialdata/financialrpts/ALA Financial Handbook Final15.pdf](http://www.ala.org/aboutala/sites/ala.org.aboutala/files/content/governance/financialdata/financialrpts/ALA_Financial_Handbook_Final15.pdf)