

TO: ALA Executive Board

RE: Operating Net Asset Balance Transfers to the Endowment Fund

ACTION REQUESTED/INFORMATION/REPORT:

Discussion on the need to suspend transfers into the ALA Endowment in the FY 2022 budget

ACTION REQUESTED BY:

ALA Management

CONTACT PERSON:

Tracie Hall – ALA Executive Director
Denise Moritz – Interim CFO

DRAFT OF MOTION:

Recommend approval to suspend transfers from Division and Round Table operating net asset balances into the ALA Endowment Fund for FY 2022.

DATE: January 19, 2021

BACKGROUND:

Throughout its history, most recently during the “Great Recession” and its aftermath, ALA has been faced with the harsh reality of needing to conserve its cash reserves. One of the more important and effective tools that management has had at its disposal and occasionally used, is deferral or suspension of transfers from Division and Round Table operating net asset balances into the ALA Endowment Fund. One of the more recent and important outcomes to address the situation was the requirement to give management two years advance notice of any transfer request greater than \$50,000. This requirement has proven to be a very useful planning tool.

As a result of the Association’s recent financial challenges and the ongoing impact of the current Covid-19 pandemic, conserving cash is imperative. To address the current short-term cash/liquidity concerns and to provide appropriate cash liquidity in the General Fund, Divisions, and Round Tables, consideration will be given to the suspension of Endowment Fund transfers from Round Tables and Division’s operating net asset balances to the ALA Endowment Fund for FY 2022.

The FY 2022 budget will be built with the 5-year Pivot Strategy as its centerpiece and will include two additional revenue streams (*Contributed Revenue and Continuing Education*) with the objective of rebuilding the short-term investment balance (working capital), improving liquidity and restoring Endowment Fund transfers. As with similar actions in the past, the situation will be reviewed annually until short-term cash/liquidity reaches a satisfactory level.