BARC/F&A Fall Meeting Minutes
October 25 & 26, 2021
11:00 am – 3:00 pm ET/10:00 am – 2:00 pm CT/9:00 am – 1:00 pm MT/8:00 am – 12:00 pm PT

Session I: Monday, October 25, 2021

BARC Chair Rodney Lippard called the meeting to order at 10:00 am CT.

APPROVED, by CONSENT, ALA Joint BARC/F&A Agenda, EBD/BARC #3.8

Joint ALA-APA BARC/F&A Session

Associate Executive Director’s Report, ALA APABD #12.1

AED Lorelle Swader provided the following updates:

- APA is a companion 501c6 organization to ALA
- Certified Public Library Administrators (CPLA) is for post-MILIS certification: 337 enrollees and 110 graduate
- Library Support Staff Certification Program (LSAC), is for non-MLIS support staff: 721 enrollees and 225 graduates
- The review committees for both programs meet quarterly, including this week, so numbers will likely go up
- The certification program committee, CPC, is reviewing competencies now and should have a report by the end of the fiscal year
- APA is looking for volunteers, and the website is linked in the report. Individuals do not have to be an ALA member to volunteer for APA. President-elect Pelayo-Lozada is gearing up to make APA committee appointments for 2022.
- National Library Workers Day is slated for April 5, 2022, and APA is gearing up for that. ALA Communications and Marketing Office has always been a big support in the efforts for National Library Workers Day
- Social media is the main place to engage people with activities and opportunities related to the library workforce.
- APA has a shared staffing arrangement with HRDR, as well as relying on other staff to assist with programs

FY 2021 Year-to-Date Financial Results, APABD/ALA-APA BARC #3.1

Interim CFO Denise Moritz provided the following updates:

- 4 revenue sources: Library Work Life, CE, Salary Survey, and Certification
- 3Q FY21 YTD revenues over budget by 7%, with growth in certification revenue due to increase in candidates completing coursework during pandemic
- Library Work Life decreased in subscriptions, which is a membership benefit, due to ALA membership decline
- YTD expenses under 32%, due to outside services cost containment and payroll underbudget
- FY21 allocations will be made in the final close at year end
- Regarding a Key Performance Indicator, payroll as percentage of revenue is 23%: FY21 projection is showing 36%
- FY21 EOY projections expected to be closer to budget
FY 2022 Final Budget APABD #/ALA-APA BARC #3.
Treasurer Farrell noted that the FY22 Budget was presented in June, and there were no changes to annual estimates of income.

Interim CFO Moritz provided the following updates:
- Slight increase in revenue over last 5 years with $16,000 over that period
- Concentration of revenue generation in Library Work Life at 51%, CE amount at 19%
- Payroll at 35%
- APA has realized net profit since FY18

BARC Member Hildreth moved that ALA-APA BARC recommends to APA F&A and the APA Executive Board approval of the Final FY 2022 Budget proposal and Annual Estimates of Income of $246,249 as presented in ALA-APA BARC #3.2. Ms.

APPROVED ALA-APA BARC recommends to APA F&A and the APA Executive Board approval of the Final FY 2022 Budget proposal and Annual Estimates of Income of $246,249 as presented in ALA-APA BARC #3.2.

President-elect Pelayo-Lozada moved ALA-APA F&A concurs with ALA-APA BARC and recommends to the APA Executive Board approval of the Final FY 2022 Budget proposal and Annual Estimates of Income of $246,249 as presented in ALA-APA BARC #3.2.

APPROVED ALA-APA F&A concurs with ALA-APA BARC and recommends to the APA Executive Board approval of the Final FY 2022 Budget proposal and Annual Estimates of Income of $246,249 as presented in ALA-APA BARC #3.2.

Joint ALA-APA BARC/F&A Meeting adjourned.

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Joint ALA BARC/F&A Session

BARC Chair Rodney Lippard and Treasurer Maggie Farrell called the Joint ALA BARC/F&A session to order.

Treasurer Farrell moved to approve 2021 Annual Conference BARC minutes, BARC #3.6

APPROVED 2021 Annual Conference BARC minutes, BARC #3.6

F&A Member Larry Neal moved to approve 2021 Annual Conference F&A minutes, EBD #3.6

APPROVED 2021 Annual Conference F&A minutes, EBD #3.6

BARC/F&A FY 2022 Goals
Chair Rodney Lippard reviewed the BARC Goals, which continue from previous years with two new this year:
- Transparency in budget process
- Clarity around budget terms
- Clarity for budget processes and timelines
- Strengthened communication
- Responsive to member inquiries
- Focus on long term financial circumstances

F&A Member Neal requested a one-pager list of goals for FY2023.

**BARC Liaison Assignments, BARC #3.7**
Chair Lippard noted that liaison assignments are included in the document. He suggested convening a small group to work on what liaison duties are.

BARC/F&A Members discussed the need to continue timeliness of documents, monitor finances closely, and coordinate with the Executive Board members on communications.

**Executive Director Update, EBD #12.3**
Executive Director Tracie Hall emphasized the current focus is on membership growth and financial sustainability:
- Addition of three new revenue streams seeks to grow revenue and membership
- While we are not out of the financial weeds, we are doing much better with a solid strategy to get us to a better place
- Continuing Ed and Contributed Revenue have been set up as revenue streams
- Hope to stand up Data Design & Research unit by end of the year
- Cross functional teams have launched. Mary Mackay has agreed to being Interim Senior AED, who will oversee CE and Conferences, and ED Hall will oversee Membership and Contributed Revenue.
  - The teams will help with de-siloization amongst units and increase communication
  - Twenty teams for FY22. All will be launched by third quarter of FY22
- Thinking about endowment increase to reach 2-3 times the operating budget
- Implemented Freewill, an online platform for people to select nonprofits for bequests, which has already seen $87K in bequests for ALA
- Transforming ALA Governance (TAG) Analysis: looked at some governance benchmarking against association peers:
  - The American Society of Anesthesiologists is a good peer comparison with similar size and operations of ALA
  - Staffing currently at 208, with 14-5 vacancies. It is likely that ALA will hover around 220 staff level, which seems to be the correct benchmark at this time

BARC Member Hildreth asked how AED Mackay would balance this new work with publishing responsibilities. AED Mackay noted that the role is interim, and that there has been an Associate Publisher position created to cover some of her previous work.

**FY 2021 3rd Quarter Financials, EBD/BARC #3.2-2a**
Interim CFO Denise Moritz presented the following updates:
- Noted Improvements made to documents due to feedback, including inserting a variance % column
- 3Q updates:
Better than budget at $980K
- $5.6 million improvement from FY20
- Budgeted expenses for FY21 3Q at $1.5 million, with actual at $530K. This improvement was due to cost containments and close monitoring of budgets
- Endowment at $66.6 million

General fund:
- Total contribution is greater than FY20 by $4.7 million, due to $1.5 million endowment transfer and contributed income of $4 million
- Dues: a 28% decrease was projected but doing better than expected and on track to exceed budget by 10%. Membership at is at 49K, still reflecting a 10% decline from FY20
- Publishing & Media: $6.6 million revenue versus budgeted $7.2 million, reflecting unfavorable variance of 8%. EOY shortfall will likely be more, due to change in fulfillment center as previous vendor left the industry, but expecting expense savings of $500K
- Midwinter 2021: $23K short of budget (82% to budget) but exceeded registration with 7K versus 5K planned. Registration revenue was $1.1 million and exhibit revenue at $489K
- Contributed revenue reflected increase of $4 million, including one gift of $2.55 million from Mellon Foundation
- Interest income also trending upward

General Fund expenses:
- Q4 reports will reflect $1.8 million expense reduction due to PPP forgiveness
- While the general fund is $3.3 million over budget, this is mainly due to the Mellon funds being designated to the Development Office
- New lease for Chicago headquarters will be significant future financial outlay, with rent payments deferred until November 2021

Divisions better than budget by $1.7 million revenue, with net expenses at $490K, better than budgeted $1.2 million
- Round Tables: $140K better than budget

Schedule of Loans and Transfers:
- $1.5 million endowment transfer in FY2021, and $1.5 million in FY22
- $3.5 million drawn on $8 million line of credit
- $1.5 million loan for equipment
- PPP loan of $4.2 million, which is forgiven, and a second PP loan of $2 million, which will likely be forgiven
- EIDL loan of $150K initially, with an opportunity for expansion to $500K, which ALA has applied for

BARC Member Schneider asked if there is a plan for paying back the $3.5 million due in July 2022 and if there is a timeline for the second PPP funding. CFO Moritz noted that historically, the line of credit has been rolled over year to year, and this will likely happen again as our balance sheet is strong. As for PPP, which extends through July 2021, we have ten months to apply for forgiveness, but the application is close to being submitted.

BARC Member Hildreth asked when will final reports for FY21 be provided. CFO Moritz noted that the final reports will be ready in November, then audited and presented in January.
F&A Member Booker asked how ASGCLA has a budget when it was dissolved by Council last year. CFO Moritz noted that the money is a rollover, and this will be the final year, as part of the agreed upon wind-down year for the ASGCLA work transferred to other units.

F&A Member Neal asked if it would be possible to order Divisions and Roundtables by variance % to see where things are working well and what are areas of concern. Additionally, also include % of revenue that is anticipated by each unit to see how big of an impact on the overall revenue.

CFO Moritz noted that Round Tables were allowed discretion identify budget lines for cost savings, but they were consolidated into one line item for reporting purposes. BARC Member Schneider recommended annotating where the cost savings in Roundtables was realized for historical reference.

CE Update
AED Mackay reported on behalf of Dan Freeman, who is out of office this week and spent a great deal of Q3 ensuring that the infrastructure for the CE launch was in place:

- New website currently testing and will launch soon
- Working on standardized pricing across ALA
- Will look at content evaluation across ALA, and how to ensure members can build their e-learning program across ALA
- Need to work on coherence and removing duplication
- CE for Publishing met its financial targets last year

Treasurer Farrell asked for more info about how CE will integrate with LibLearnX. AED Mackay noted that grouping CE and Conference Services under the same umbrella is part of that. Dan Freeman and Earla Jones will have conversations to cultivate that in the coming months.

Conferences Services Report, EBD #12.5
Conference Services Director Earla Jones provided the following updates:

- LibLearnX
  - Registration opened on October 15
  - Call for presentations launched over the summer with over 170 submissions, and 120 accepted
  - Persona-based learning where attendees can create their own conversation
  - Marketing plan to achieve 4,000 attendees (3K member, 1K student)
  - There are some tools to increase attendees, including the “gift a membership” options, as this is a members-only conference
  - Using a different online platform for this event
  - The first registration report will be available this Friday and shared with the Executive Board

Endowment Trustees Report, EBD/BARC #13.0
Mario Gonzalez, Senior Trustee, provided the following updates:

- Added a new investment fund, Ariel Investments, a Black-owned investment fund headquartered in Chicago
- Maintaining ALA financial, environmental, social, and governmental (ESG) holdings at approximately 55%
- Monitoring the investment market
• Trustees produced several guides that are available on the Trustee web page, as well as the Treasurer’s webpage that help ALA members understand the Endowment and Trustee work
• Held orientation is September for the two newest Trustees, Brett Bonfield and Shali Zhang, and implemented new mentorship process for new Trustees
• Market influences:
  o Inflation anticipated to continue through 2022, or longer due to supply chain issues. Trustees will consider changes as the situation changes
  o Vaccine mandates are still a hot-button issue
  o 11 million job vacancies primarily due to the pandemic, supply chain issues, and businesses closing, with about 4.5 million unemployed, including 80,000 vacant long haul truck positions
  o Three major market indexes closed at a new time high, and the endowment increased $2.5 million in October
• Aside from a slight increase from the sale of the Huron building, the book value of the endowment has been trending down. ALA has not been putting money into the endowment, and it is the return on investment that has been increasing. Trustees will work with the Philanthropic Advisory Group on strategies to increase money for the book value
• Opening balance in January 2021 of $60.7 million, end of September at $63.3 million and currently at $65.7 million
• The withdrawal of $1.5 million in September reflects the planned transfer with terms
• Trustees continue to review ALA’s investments with Merrill Lynch, as well as reviewing Trustee selection process

BARC Member Schneider asked for clarification if market value is the same as fair market value. Senior Trustee Gonzalez confirmed it is.

**Publishing & Media Report, EBD #12.6**

Interim Senior AED Mary Mackay provided the following updates:

• Implemented change in unit name to Publishing & Media, which reflects the new reality of the department’s work, such as podcasting, and Pivot Strategy
• *Booklist Reader* introduced in September as a patron-facing publication that is currently only digital but may move to print as well in the future. It is a tool for librarians to use to help broaden reading, with a particular focus on EDI. It is currently a benefit of *Booklist* subscription.
• There is a huge need for EDISJ content, and staff is attuned to that, with projects such as the Prison Library Standards and decolonization in libraries efforts
• Best opportunities for revenue generation were sponsored webinars, ALA Joblist (jointly run with American Libraries, ACRL, and HRDR), inventory reduction sale prior to moving to the new distribution center, and ALA Graphics
• Digital Seals Licensing in FY21 billed $1.4 million
• The move to the new distribution center had a larger negative impact on sales than anticipated
• Subscription revenue has decreased, especially from institutions
• Paper pulp pricing has also had an impact on expenses
• Advertisers and sponsors want more custom content that requires extra time and resources
• BibliVault, a file management e-book delivery system, is a possible opportunity
• *Booklist* is bouncing backing
• RDA is looking at opportunities with translations and new markets, but due to COVID, growth will be slower than anticipated
• Looking at sunsetting some products and how that can be done responsibly

BARC Member Schneider asked for clarification on the difference between Prophix and Salesforce numbers. AED Mackay noted that Prophix is the internal budgeting software, and Salesforce is the CRM system for subscriptions (which have to be transferred to internal systems). CFO Moritz noted that staff is looking into streamlining the RDA revenue line.

BARC Member Schneider asked if there has been discussion on consolidating Core Job Board with JobList. AED Mackay noted that it has already been rolled into JobList.

**Membership Report EBD #12.4**

Member Relations & Services Director Melissa Walling provided the following updates:

- 10% down from previous years, with plans to rebound:
  - At end of FY21, brought on staff member to focus on membership growth across the organization
  - Without live conferences, fewer opportunities to bring in Library Worker Members. Seen 1% conversion back to members, and employing digital marketing to bring those members in
  - Better collaboration with Divisions, Round Tables, Chapters, and Affiliates, including pilot programs to grow members across these groups
  - Student members are 15% of current membership, and that is a potential pipeline for membership
  - Data gathering to focus on engagement and professional path. Students, unlike other members, are less likely to be members of Divisions and Round Tables, which are overall membership drivers

BARC and F&A adjourned.

**Session II: Tuesday, October 26, 2021**

BARC Chair Rodney Lippard called the meeting to order at 10:00 am CT.

**FY22 Budget, BARC/EBD 3.1-3.1a**

Budget Director Brad Geene noted that a revised budget and memo documents outline changes to the FY22 Budget from the previous iteration and final numbers:

- The most significant change is that LibLearnX will be a virtual conference, which does not change the final budget. LibLearnX is budgeted to net $160,000 as a virtual event, whereas the in-person event had been budgeted at break-even
- All ALA unit managers have worked closely with the Finance office to make final changes to the FY22 budget. As a result, there are revised annual estimates of income $72,047,000
- FY22 budget also includes budget assumptions: staff salary increase of 2% in January, no furloughs, and an overhead rate at 26.5%
- There is now a contingency of $263K after almost $1 million in PPP loans and cost containments identified since the budget presented the past summer

BARC Member Lehner noted that in the Five-Year Plan, it looks like net revenues have a shortfall of $4 million, while this budget reflects a contingency surplus of $263K. CFO Moritz noted that the variance
will be explained when reviewing the Five-Year Plan. One explanation is that the endowment activity is separated out from operational activities.

BARC Member Hildreth asked for clarification as the document reflects that the endowment transfers to Divisions were frozen for FY22, but PLA made a request for transfer that will not occur. CFO Moritz confirmed that is correct and can be noted for future reference.

Senior Financial Analyst Keith Brown noted that from 2017 to 2020 there was a drop in overhead revenue from $7 million to $5 million due to COVID.

Chair Lippard asked for clarification that the general fund revenue on Total ALA tab reflects numbers $10 million higher than in the General Fund tab. CFO Moritz noted that the General Fund Table reflects total contribution to overhead, not revenue.

BARC Member Schneider asked if more information can be provided at the upcoming Board meeting regarding IT expenses as it is reflected in operations and capital.

BARC Member Lehner asked for clarification on the $2.6 million in long term investment listed. CFO Moritz noted that includes $900K in endowment interest and $1.5 transfer, as well as transfer to Future Fund and donations.

The group agreed to review the Five-Year Plan prior to the action item regarding FY22 Budget and estimates of income.

**Five-Year Financial Plan, BARC/EBD #3.3**

Interim CFO Denise Moritz provided the following updates:

- **Intention of the document** is to give a five-year financial look-back and a five-year look-forward for ALA, aligning with the Pivot Plan
- **Each Division Executive Director** submitted a five-year plan, which has enhanced this presentation
- **Columns highlighted in red** reflect pivot years toward financial sustainability, with effective revenue prioritization and containment of costs
- **Includes traditional revenue lines** of publishing with a modest 2% growth, conferences which is dependent on the venue, and membership dues with 4% growth anticipated through FY26
- **Contributed revenue** is predicated on launching a five to six-year campaign to raise $20-30 million dollars
- **Divisions continue to exhibit the seesaw pattern** where odd years have one division conference, and even years, two division conferences
- **Key cost assumptions:**
  - Annual staff salary increases of 2%
  - Healthcare cost increase of 7%
  - Inflation of 2%, but we do not expect that percentage to hold as Q2 of 2021 saw 3.4%, and Q3 is around 5%
- **ALA’s percentage of payroll costs** to total revenue is quite high at 52%, and ALA is working to better align with peer metrics which indicate 40% as a guidepost
- **In FY22, two areas of focus will be rebuilding membership and launching the CE unit**
- **General fund** generates approximately three quarters of overhead, while Divisions generate approximately one quarter
• For Divisions, looking to generate a net profit every year or every two years. While balance may not be possible every year, better alignment overall is needed than historically seen
• To improve liquidity, Finance staff have been focused on rebuilding short-term investment balance, which has been trending upwards and must continue to do so
• Lease expenses will be significant, starting in FY22 with $1.8 million. ALA has a 15-year lease. This is a significant cash outlay that ALA has not had for a number of years

BARC Member Schneider noted that CE is big part of Pivot Plan, but that revenue is listed as fairly modest, almost a wash by FY25. Additionally, contributed revenue does not seem to be reflected in the plan. ED Hall noted that CE will have startup costs before it makes a significant impact, and the plan reflects a conservative estimate as an overly cautious measure. There will also be opportunities to bundle CE and make it part of membership growth. There will also be a new Head of Institutional Advancement and feasibility study conducted in the next year, which help identify new areas for contributed revenue.

President-elect Pelayo-Lozada asked if there could be documentation of the maintenance expenses of the old building versus the lease expenses to help alleviate the sticker shock of the new space.

BARC Member Hildreth noted that balancing the FY22 budget is still dependent on PPP, which will not be available in FY23.

BARC Member Lehner noted that FY22 is also balanced with the endowment transfer, which increases ALA’s debts, and if we could consider looking at a debt ratio. Controller Joanne Lee noted that the debt ratio will be covered in the Controller’s report.

BARC Member Hildreth moved that BARC recommends to F&A and ALA Executive Board approve final FY2022 budget and annual estimates of income of 72,047,000 as highlighted in BARC #3.1.

APPROVED that BARC recommends to F&A and ALA Executive Board approve final FY2022 budget and annual estimates of income of 72,047,000 as highlighted in BARC #3.1.

Chair Lippard moved that F&A concurs with BARC and recommends that the ALA Executive Board approves the final FY2022 budget and annual estimates of income of 72,047,000 as highlighted in BARC #3.1.

APPROVED F&A concurs with BARC and recommends that the ALA Executive Board approves final FY2022 budget and annual estimates of income of 72,047,000 as highlighted in BARC #3.1.

Controller’s Report, BARC #3.4
Controller Joanne Lee provided the following updates:
• Status of Annual Audit: FY21 preliminary audit completed, and final audit scheduled to commence in November 2021
• Statement of Financial Positions:
  o Total Assets: $97 million, a 15% increase from FY20
  o Total Liabilities: $32 million, a 28% decrease from FY20
  o Net Asset Balance: $65 million, a 64% increase from FY20
  o Total Current Asset $2.4 million
  o Short Term Investment increased by $3 million since FY20
Total assets: $13 million, which reflect an increase of $12 million in endowment
Total liabilities decreased by $13 million since FY20, primarily due to decrease in long
term debt and deferred conferences and deferred grants and awards.

Working Capital is at $5.5 million, an increase from negative $15 million in FY20 and the first
positive number here since 2016

F&A Member Booker asked for clarification about the deferred revenue items. Controller Lee noted
that deferred dues reflect a one-time yearly renewal fee that is released throughout the year.
Deferred conference revenue reflects the fees that are paid but released after the events. Deferred
grants and awards reflect money that was transferred as earned revenue as donations due to a new
accounting rule.

Cash Management
- Total Cash: $3.4 million
- Short-term investment: $7.7 million
- Total Cash & Short-term investment: $11 million
- Long term investment: $64 million
- Long term CD: $6 million
- Long Term Investment: $70 million

Liquidity Ratio:
- Line of Credit is $8 million with Chase, with $3.5 million outstanding
- $1.68 million in equipment loan, with $1.56 million balance
- $4.4 million in PPP in April 2020 that was forgiven and $2 million in February 2021 that
  will likely be forgiven
- EIDL loan of $150K in May 2020 with another $350K applied for
- Cash to debt ratio (i.e., Liquidity ratio) is 4.89. Required is 1.1 to 1.0. (i.e., 110%
available, and ALA has 489%). ALA has a healthy balance sheet.

Director of Financial Reporting & Compliance Report & ALA Retirement Plan, EBD #3.5-5a
Interim CFO Moritz noted that the retirement plan audit has been completed by PKF Mueller and is
reflected in EBD #3.5-5a.

A disclaimer of opinion has been issued by the auditors, as a result of a change in the audit requirement
rules related to 403b plans. The time and cost to obtain the documentation from the many years that
had gone by would be prohibitive, if it was even possible to obtain that documentation. When the IRS
changed the rules, they allowed the Department of Labor to accept this disclaimer of opinion position.

As of August 2020, ALA has $600K of goodwill on the books, which originated with the Neal Schuman
nonprofits to adopt the public company council alternative, which ALA did. The remaining goodwill as
amortized. $400K was written off in FY20, with plans for $400K in FY21 and $200K in FY22. There are
three benefits:
- No cash flow impact
- Savings of staff time
- Savings of professional fees
There was analysis on post-retirement benefit application, and two pools were created in FY17 for retirees and one for employees, which decreased liability from $22.8 million to $12.3 million. ALA also changed the accrual start date as five years of service after age 57, decreasing liability from $12.3 million to $7.3 million. No current changes will be made as they would negatively impact benefits to ALA employees.

Actuarial analysis reflects current liability of $9.6 million.

F&A Member Booker moved Finance & Audit Committee recommends that the ALA Executive Board accepts the 2020 ALA retirement plan audit as issued by PKF Mueller, LLP, as highlighted in EBD #3.5.

APPROVED Finance & Audit Committee recommends that the ALA Executive Board accepts the 2020 ALA retirement plan audit as issued by PKF Mueller, LLP, as highlighted in EBD #3.5.

**FY 2023 Budget Considerations**

ED Hall & Interim CFO Moritz led a discussion on FY23 budget planning:

- Efforts to create transparency for member leaders and staff, which was reflected in recent open budget presentations. The goal was also to encourage membership growth and revenue generation across the board for ALA
- Membership generation is a rising tide that will raise all boats, and we will need member leaders to be partners in that
- Recent budget presentations:
  - First time presentations were open
  - New staff appreciated the opportunity to ask questions in real time
  - Next round of budget presentations scheduled for March 1-3, 2022
  - Incorporating metrics more extensively in analysis
  - Considerations:
    - 2% salary increase
    - No furlough
    - Rightsizing payroll costs
- **Pivot Strategy Goals:**
  - Bringing neutral revenue/expense balance
  - Contributed revenue will be 12%
  - Membership will be 18%
  - Six revenue streams
  - Division membership at 68%
  - One Annual Conference and one LibLearnX. ED Hall noted that a goal is to open a day of the Conference to the public, which we will tested in 2023.
  - Centralization and reducing redundancies
  - IT alignment

F&A Member Neal asked if there could be a one-pager to take back to groups that members liaison with, as well as identifying desired capital investments or expenses that are deferred to future years.

BARC Member Schneider asked for clarification on IT alignment. CFO Moritz noted that many platforms need to be streamlined across ALA.
**Operating Agreement Working Group, EBD #10.2**

Treasurer Farrell, Co-Chair, provided the following updates:

- Divided into two groups:
  - One to look at a total rewrite of the document outlining the relationship between Divisions and the Association.
  - The second will look at operations and finances, particularly how overhead is determined, collected, and paid for. Looked at three options for overhead:
    - To keep the financial practice the same.
    - To change the formula and/or modify the practice.
    - To eliminate the overhead entirely and its associated reporting practice entirely.
  - The subgroup found unanimous consensus around the third option: cost of overhead covered by total revenue and eliminate the practice of overhead being paid for by the Divisions, Round Tables and units.
- Net asset balances and Division investment income should become culturally part of our association rather than existing on paper.
- Focus on aligning the Division and Round Table budget and strategic planning with that of the whole association, as well as aligning with the pivot plan and a consolidated budget.

BARC Member Hildreth asked if any new revenue streams will contribute to overhead and if the group is looking at that. The group is not looking at operations, but this work could impact those operational aspects.

BARC Member Lehner noted that being able to claim additional revenue at the Division level where they are generated by the Divisions is important. It is a concern if this incentive is removed from Divisions. Treasurer Farrell noted the group is aware of this and understands that these needs must be balanced.

BARC and F&A moved into closed session.