

BARC/F&A January Meeting Minutes

January 11, 2022: 3:00-6:00 pm CT

The meeting was called to order by Treasurer Maggie Farrell & BARC Chair Rodney Lippard.

APPROVED by CONSENT: Agenda, BARC #3.14.2022

The following reports were provided as informational items:

- Publishing and Media Department Update, EBD #12.18
- IT Strategy Investment Update, EBD #12.19
- Development Office Report, EBD #6.1
- Public Policy & Advocacy Office Report, EBD #12.20
- Membership Report, EBD #12.21
- Conference Services Report, EBD #12.22
- FY 2023 Budget Assumptions and Tactical Goals, EBD/BARC #3.10

APPROVED BARC/F&A Fall 2021 Meeting Minutes, EBD/BARC #3.9

Executive Director Report, EBD #12.23:

Executive Director Tracie Hall noted that the report outlines many efforts across ALA, but provided the following highlights regarding financial goals:

- Pathway to Transformation: Centers revenue and membership development
 - Participated in Association Winter Forum via ASAE, and ALA will do benchmarking against peer associations that are also focused on specific areas of membership and revenue, focusing on Continuing Education (CE) and Advocacy
 - Drive association as trusted voice for library advocacy
 - Leverage ALA as leading provider of CE and professional development, biggest driver of diversity in LIS workforce leadership pipeline, and largest non-gov granting agency in the country
 - First spectrum scholar now running for President
- Pivot Strategy:
 - 2nd Quarter on track, with plans to stand up all 6 revenue streams by the end of FY24 and hope to announce seventh
 - Through Mellon Foundation grant, partnering with University of Chicago for Data Fellows, who will help stand up Data Design & Research stream
- RUSA was facing possible sunset, but it has seen slight membership increase (different than ALA at large)
- PPO received large grant
- Launched new Learning Management System (LMS) with 4000+ actively engaging
- Cross-Functional Teams: twenty teams will be stood up by end of FY22, and Mary Mackay overseeing teams
- EDISJ inventory & planning:

- 12% of ALA dollar goes to EDISJ work and 13% to Intellectual Freedom, which evidences the value and impact of the work of ODLOS and OIF
- Adoption of EDI scorecard created by ODLOS and Committee on Diversity for LIS organizations
- Budget priorities for EDI in FY23 will call out areas of budget aligned with core values
- ED Hall shared the embargoed information that ALA has been named as co-investigator with San Francisco Public Library to update Library Prison Standards and Publication through a grant to be announced next week
- Comparative analysis for Transforming ALA Governance (TAG) conducted against peer organizations
- Development:
 - Received and waiting to announce some major grants in the work
 - \$3.8 million goal this FY, and already raised more than that via donations to be announced soon
- Launch search for CIO soon

FY22 Update:

ED Hall introduced ALA's new CFO, Dina Tsourdinis, who provided the following updates:

- Finance & Accounting team are working hard to catch up in reporting
- Two audits this year, and one is ongoing for FY21
- Remediation process from outsourcing:
 - Accounting not fully staffed, and need to restructure to meet remediation requirements
 - First Quarter results will be issued on February 11, and will follow-up with November revenue actuals
- Thinking about continual improvement, with documented challenges and improvements: e.g., membership system: adding required field in membership system to make documents identifiable

F&A Member Neal emphasized transparency if there are any areas for improvement that member leaders can help with.

FY 2021 YTD Financial Results, EBD/BARC #3.11:

FY21:

- Based on preliminary audited results:
 - Strong performance during a very challenging year
 - Actual v. Budget:
 - Revenue exceeded expenses by \$1.1 million
 - Favorable revenue variance of \$3.8 million
 - \$1.9 million unfavorable expense variance
 - Favorable variance of \$1.9 million net estimated

FY21

- Revenue decrease of \$6 million offset by cost savings and containment
- Expenses are proportionate to expenses, excepting grants and awards but due to accounting standards
- General Fund:
 - Operating net at \$1.59 million, which is a good number
 - Auditors noted that there is brand new standard to follow regarding Life Membership revenue. Typically, recognized in year it is received, but the new standard defers \$400,000 to future years, which will be amortized over future years
 - Developed memo regarding new standard for audit team, and they accepted it is a correction plan

BARC Member Schneider expressed appreciation for clarity of graphs in report and asked for FY21, what part of revenue was from COVID related one time grants/loans/endowment transfer? CFO Tsourdinis noted that ALA recognized \$4.2 million PPP forgiveness and in FY22, second \$2 million PPP is also forgiven, insurance settlement of \$350,000 for cancelled events, and \$1.5 million endowment transfer in FY21.

F&A Member Booker asked why the reports compare FY21 to FY19? CFO Tsourdinis noted this is comparing FYs in like with like in terms of number of conferences.

F&A Member Booker asked for clarification on new revenue recognition for Life Members. CFO Tsourdinis noted that Accounting came up with formula based on life expectancy to amortize the amount.

CFO Tsourdinis noted there will not be a qualified audit opinion, but there will be a letter to management in the A133, which will also include correction plan for the new formula. F&A members will see that at the February meeting.

FY23 Budget Objectives & Programmatic Priorities, EBD #3.12-12.1

Treasurer Farrell provided the following updates on the upcoming FY23 budgeting process:

- After this meeting, ALA staff will begin the budget process for an initial budget to be presented to BARC/F&A/Executive Board at their Spring meetings in April
- Four budget assumptions:
 - Align revenue/expenses
 - 2% salary increase
 - 26.5 % overhead
 - No furloughs
- Tactical goals to drive staff back to Pivot strategy
- Focus on rebuilding membership
- Public facing market
- One ALA culture
- Budget Objectives will be same as last year, with addition of build membership base:
 - Align revenue/expense budget
 - Rebuild membership base
 - Increase revenue sources

- Develop budget surplus
- Focus on financial stability
- Develop new budget metrics

BARC Member Schneider noted that the sixth stream activities should begin in FY23, but it will take a number of years for new streams to achieve revenue.

BARC Member Lehner asked for more information on developing metrics for success, which many groups have struggled with. Will that developed by data fellows? ED Hall noted that ALA will look at more direct outcomes from pivot strategy to demonstrate impact

F&A Member Booker asked if increasing membership is part of Presidential goals, what does it mean fiscally to have it both places? ED Hall noted that the President will align and bolster the strategy of the association, rather than developing another, separate effort.

F&A Member Lippard moved that F&A recommend to ALA Executive Board and ALA Council the following Budget Objectives, as a basis for the FY2023 budget and as a key framework for budget planning, as outlined in EBD/BARC #3.12:

- Align revenue/expense budget
- Rebuild membership base
- Increase revenue sources
- Develop budget surplus
- Focus on financial stability
- Develop new budget metrics

APPROVED F&A Member Lippard moved that F&A recommend to ALA Executive Board and ALA Council the following Budget Objectives, as a basis for the FY2023 budget and as a key framework for budget planning, as outlined in EBD/BARC #3.12.

Endowment Trustees Report, EBD/BARC #13.1

Senior Trustee Mario Gonzalez provided the following updates:

- Ongoing market forces:
 - Supply chain issues
 - US companies continue to be healthy
 - Unemployment rate at 3.9%
- Endowment book value at \$13.2 million and market value at \$66.9 million
- Opening balance in January 2021 at \$60.7 million and closing 2021 at \$66.9 million
- Asset allocation:
 - Environmental, Social, & Governance (ESG) holdings at 48.4% (down from 57%)
 - New Ariel and Goldman Sachs funds will bring that back up to 53%
 - The reduced percentage reflects the removal of funds not performing well
- Future Activities:
 - February 4 meeting will be virtual
 - 2019 policy and procedure manual to be updated
 - Review ESG investments, with guest speakers at next meeting
 - Analyze disbursement of funds

- Enhance relationship with Development office to raise funds for book value
- Review of Merrill Lynch, current investment adviser
- RFP for Investment Adviser for due diligence

BARC Member Schneider asked for clarification on why the book value has declined. Trustee Gonzalez noted that the two transfers of \$1.5 million each have been removed, and the last large contribution into the fund was after selling headquarters. Returns have been healthy, which have kept the market value up, but contributions have been down.

BARC Member Hildreth asked if it is still the policy for trustees to serve second term. Trustee Gonzalez noted that trustees can but need to demonstrate interest and apply.

ALA President-elect Proposed Presidential Initiative Budget for FY2022-23, EBD #3.13

President-elect Lessa Pelayo-Lozada presented the budget, outlined in more detail in the report, for ALA Presidential Initiative terms. The initiatives will operate under the theme “Our Brave Communities,” with a total budget of \$75,000:

- Labor and Workers’ Rights: \$10,000
- Partnerships: \$5,000
- Membership growth: \$35,000
- ALA-Allied Professional Association (ALA-APA): \$10,000
- Equity, Diversity, and Inclusion: \$10,000
- Reserve: Other potential expenses: \$5,000

BARC Member Rivera moved that BARC approves the presidential programs budget submitted by the 2022-2023 President in BARC #3.13.

APPROVED presidential programs budget submitted by the 2022-2023 President in BARC #3.13.

F&A Member Booker moved that F&A concurs with BARC and approves the presidential programs budget submitted by the 2022-2023 President in EBD #3.13.

APPROVED F&A concurs with BARC and approves the presidential programs budget submitted by the 2022-2023 President in EBD #3.13.

Operating Agreement Workgroup (OAWG) Update, EBD #10.7

Treasurer Farrell, OAWG Co-Chair, shared the following highlights:

- OAWG divided into two subgroups:
 - Revising language of document, which is over 30 years old, to focus on ALA unity
 - Examining overhead rate that offices and units pay to ALA for costs and support. Divisions pay \$1.5 to \$2 million to ALA for core services, which is not all services
- Considering the idea of eliminating overhead, which would change budget process.
 - This is a paper move - moving from one fund to another, and it does not impact revenue
 - Divisions would work closely with ED for budgeting.
 - Questions about when one division may bring substantial revenue and others may struggle
 - Will bring this idea forward during the PBA/Division Leadership meeting for breakout discussion sessions

BARC Member Lehner asked if Round Tables pay similar rate? Treasurer Farrell noted there is no Operating Agreement for Round Tables – they pay a flat 10% of membership dues. This group is focused on Divisions but may touch on Round Tables.

BARC Member Lehner noted that overhead rate discussion could be relevant to discussion of next agenda item, as Round Table current fees cover only meetings but expanding to other activities could require more support. BARC Member Hildreth noted that not all units pay overhead; it depends on type of activity and revenue.

Coretta Scott King (CSK) Book Award Round Table Creation

BARC Chair noted that the CSK Book Award committee submitted a proposal to the Committee on Organization (COO) to split from EMIERT for the creation of the CSK Round Table. Supporting documentation was provided to BARC/F&A members via ALA Connect.

- COO voted to approve. COO Chair will present as action item to council. COO is referring this to BARC because it will significantly impact the income for EMIERT due to book seals.
- CSK book awards provide 3% revenue to EMIERT, which would end in March 2023. Additionally, there is potential for additional cost for staff support for new RT. COO did not receive any formal statement from EMIERT.

BARC Member Lehner noted that CSK Book award generates significant revenue, and it is used to fund staff position. Also, a Forward Together Resolution called for the standardization of dues and bylaws across Round Tables. Round Tables pay 10% of dues to ALA. Has COO discussed these implications? COO Member Hepburn noted that COO did not get into weeds of policy. The Round Table will pay the 10% fee and retain book seal sales. The bigger concern was the financial impact on EMIERT.

BARC Member Sica expressed concern that this could set pattern for awards to break off from RTs, and that could be considered when talking about operating agreements. COO Member Hepburn noted that that CSK Award committee demonstrated significant independence and operational structure that is not necessarily reflected in all awards.

BARC Member Hildreth asked if ALSC pays overhead on revenue from seals. Director Moritz noted that ALSC pays 13.25% overhead rate on seals sales. The Newberry/Caldecott dinner is a ticketed event with overhead at \$1/ticket.

BARC Members agreed that there are some questions and need for clarification on fiscal implications before giving enthusiastic support, and that it would also be beneficial to hear from EMIERT. AED Swader noted that there has been significant discussion between CSK and EMIERT throughout the process. ED Hall noted that staff can work on budget scenarios.

COO Member Hepburn will confer with Chair Lippard to finalize language for BARC's advice on the resolution.

Treasurer Farrell reminded BARC/F&A that the PBA/Division Leadership Meeting is scheduled for Wednesday, January 19, 2022, from 11:00 am – 1:00 pm CT.

BARC/F&A moved into closed session.