

**TO:** ALA Executive Board

**DATE:** June 28, 2021

**RE:** Joint Meeting report for the Budget, Analysis, and Review Committee (BARC) and the Finance and Audit Subcommittee (F&A) to the Executive Board

**ACTION REQUESTED/INFORMATION/REPORT:**

Approval of the Revised Preliminary FY22 Budget with Annual Estimates of Income

Acceptance of the FY20 Preliminary Audit

Appointment of Endowment Trustees

Reappointment of PAG members

**ACTION REQUESTED BY:**

BARC and F&A

**CONTACT PERSON:**

Peter Hepburn, BARC Chair, [peter.hepburn@canyons.edu](mailto:peter.hepburn@canyons.edu), 661.362.3758

Maggie Farrell, ALA Treasurer and F&A Chair, [maggie.farrell@unlv.edu](mailto:maggie.farrell@unlv.edu), 702.895.2286

**DRAFT OF MOTIONS:**

The ALA Executive Board received and discussed the FY2022 revised preliminary budget and Annual Estimates of Income that was referred by the ALA Budget Analysis & Review Committee and Finance & Audit Subcommittee and approves the Preliminary FY2022 budget and Annual Estimates of Income. The Annual Estimate of Income is \$73,068,000 and is explained in detail in EBD#3.28.

The Executive Board approves the Preliminary FY2020 Audit Reports as issued by Mueller & Co., LLP (CBD#29, 30, and 31).

The Executive Board approves the Philanthropy Advisory Group (PAG) appointments as recommended by the Finance and Audit Subcommittee (CBD#33).

The Executive Board approves the Endowment Trustee Candidates as recommended by the Finance and Audit Subcommittee (CBD #26).

**BACKGROUND:**

Members of the Budget Analysis and Review Committee (BARC) and the Finance and Audit Subcommittee (F&A) held a joint meeting on Friday, June 25 to discuss and review several financial issues and are pleased to report to the Executive Board on our activities. Below is a list of the primary topics discussed:

- FY21 Year To Date Six-Month Results, February 2021 (EBD#3.27)
- FY21 Year To Date Financial Department Commentary (EBD#3.27a)
- FY22 Revised Preliminary Budget and Annual Estimates of Income (EBD#3.28)
- Endowment Trustee Report (EBD#13.5)
- Executive Director Report (EBD#12.40)
- Conference Services Report (EBD#12.45)
- Publishing Report (EBD#12.41)
- Membership Report (EBD#12.42)

Other discussion items included updates from the Forward Together Resolutions Fiscal and the Operating Agreement Work Groups, draft ALA Council resolutions, and preparation for the joint Annual PBA, BARC, and Divisional Leaders' meeting on June 27, 2021.

#### **DETAILED INFORMATIONAL ITEMS:**

ALA FY21 Year To Date Six-Month Results, February 2021 and Financial Departmental Commentary (EBD#3.27 and 3.27a)

ALA realized revenues for the 1st half of FY 2021 of \$19.9M, lower than FY 2020 revenues by \$5.5M and lower than FY 2019 revenues, the most recent two-conference fiscal year, by \$782k. Within Total ALA revenues, only the General Fund missed budget by less than 1% for the 1st half of FY 2021. ALA expenses for the six-month period were \$19.3M, in line with budget. For the same period in FY 2020, total ALA expenses were higher than budget by \$2.6M. While the Divisions and Round Tables saw expenses lower than budget for the 1st half of FY 2021, the General Fund, Grants and Awards and the Endowment (unfavorable by 7.2%, 18.1% and 17.8%, respectively) were higher than budget. Overall, ALA is reporting net revenue of \$611k for the 1st half of 2021, representing a positive budget variance of \$1.4M. The FY21 Budget is exhibiting cost containment throughout ALA as units are effectively managing expenses.

ALA FY22 Revised Preliminary Budget (EBD#3.28)

ALA Management and units continue to refine the preliminary FY22 budget with the goal of a balanced budget with a contingency fund. A contingency will enable ALA to weather unforeseen events and strengthen its liquidity. Executive Director Hall and Interim CFO Moritz are stressing that expenses must be in line with anticipated, pragmatic revenue projections. For FY22, ALA is planning for a 2.0% staff salary increase effective January 2022, no furloughs, and an overhead rate of 26.5%. Savings are being drawn from expense reductions across the organization, in travel, and the Executive Office. The anticipated balance for FY22 will be \$263,000 against projected revenues of \$46,632,000. The FY22 Annual Estimates of Income will be \$73,068,000. BARC and F&A are recommending approval of the Revised Preliminary FY22 Budget and will consider the Final FY22 Budget during its Fall meetings.

Endowment Trustees Report (EBD#13.5)

Pat Wand, Senior Trustee, presented endowment portfolio results and recent activities. The Endowment Fund balance on May 28, 2021 was \$64,270,831, representing a 10% increase from the August 31, 2020 balance of \$58,290,159. The Endowment Trustees completed the following reports that will be posted to the ET website:

- Glossary of Investment Terms
- Endowment Management Cost Structure
- Endowment Benefits to ALA & Units
- Frequently Asked Questions (FAQ) about ALA Endowment

Mario Gonzalez is the incoming Senior Trustee and the Trustees will focus on the following in the coming years:

- Update the Policy and Procedure Manual (2019)
- Analyze and review role and goal of ESG investments
- Analyze disbursement of funds from endowment
- Enhance relationship with Development Office to raise funds for endowment book value
- Review process for selecting Trustees

BARC and F&A thanked Senior Trustee Pat Wand and Trustee Brian Schottlaender for their service and leadership which saw a focus on ESG investments and strong market performance.

Executive Director Update (ALA CD#12.40)

Executive Director Tracie Hall provided an update of the Strategic Pivot Plan which is a five-year plan to increase and diversify revenue streams, increase membership, expand professional development/continuing education, and increase non-library stakeholders in the future of libraries through ALA support. During the upcoming BARC/PBA/Division Leadership meeting, there will be an in-depth discussion on the 5-Year Financial Plan (EBD#3.32).

Additional Items:

BARC and F&A continue to monitor a pending insurance claim for the 2020 Annual Conference and the slight possibility of an HQ sale contingency payment. Liquidity or short-term cash is much improved with a continued focus on increasing cash. BARC and F&A appreciate efforts to present financial data clearly though improved report formats including departmental commentaries and additional details such as status of loans, budget strategies, and assumptions. Finance operations have finalized the FY20 financial reports to prepare for the audit and tax returns. Current fiscal year reporting has nearly caught up to pre-pandemic schedules. This is due to the dedication and hard work of the Finance Team along with support from individuals throughout ALA. As BARC and F&A examine financial reports, ALA is in a stronger financial position than 2 years ago but continued attention with a focus on increasing revenue through contributions, memberships, and continuing education/conferences is required.

**F&A Meeting – June 28, 2021**

FY20 Preliminary Audit ((CBD #29, CBD #30, and CBD #31)

F&A met in closed session with John Fedus, CPA, (Mueller & Co., LLP) regarding the FY20 Audit.

F&A members discussed the FY20 Draft Audit Financial Statement, FY20 Single Audit Financial Statement, and FY20 Auditor Required Communication Letter. F&A members commended the Finance Office and all ALA staff for their diligence in finalizing the Audit and completing the FY20 Audit without any findings. F&A are recommending acceptance of the FY20 Preliminary Audit.

PAG and Endowment Trustee Applicants (CBD#33 and CBD #26)

In a closed session, F&A discussed four reappointments to the Philanthropy Advisory Group and two vacant Endowment Trustee positions. F&A are recommending to the Executive Board the reappointment of four individuals to PAG and appointment of two individuals to the Endowment Trustees.

**ACTION ITEMS:**

The Executive Board approves the Preliminary FY2022 budget and Annual Estimates of Income of \$73,068,000 (EBD#3.28).

The Executive Board approves the Preliminary FY2020 Audit Reports as issued by Mueller & Co., LLP (CBD#29, 30, and 31)).

The Executive Board approves the Philanthropy Advisory Group (PAG) appointments as recommended by the Finance and Audit Subcommittee (CBD#33).

The Executive Board approves the Endowment Trustee Candidates as recommended by the Finance and Audit Subcommittee (CBD #26).

**ACKNOWLEDGEMENT:**

BARC and F&A extends its sincere thanks to the ALA finance staff: Denise Moritz, Holly Robison, Brad Geene, Joanne Lee, and Keith Brown and for their work and support in preparing for the committees' meeting and discussions. In addition, BARC and F&A appreciate the active service of departing BARC members Peter Hepburn and Carl Harvey and the departing F&A members Ed Garcia and Maria McCauley. BARC member Larry Neal and F&A member Patty Wong will shift to different Executive Board committees in the coming year. All BARC and F&A members have demonstrated diligence in budget oversight, asked difficult questions, contributed ideas to streamline and present complex data, and represented ALA member interests in stabilizing and advancing ALA for the future.

Respectfully submitted:

BARC

Peter Hepburn, Chair

Brett Bonfield

Ann Ewbank

Carl Harvey

John Lehner

Rodney Lippard

Larry Neal

Karen Schneider

Maggie Farrell, Treasurer

F & A

Maggie Farrell, Chair

Ed Garcia

Maria McCauley

Patty Wong

Peter Hepburn, BARC Chair