

**American Library Association
Joint BARC Finance and Audit Committee Report
to the ALA Executive Board
June 12, 2020**

TO: ALA Executive Board

DATE: June 12, 2020

RE: Joint Meeting report for the Budget Analysis and Review Committee and the Finance and Audit Committee to the Executive Board

ACTION REQUESTED/INFORMATION/REPORT:

Approval of the FY21 Annual Estimates of Income (EBD #3.40/BARC #3.40)

Approval of the Endowment Trustee Candidates (CBD #33)

ACTION REQUESTED BY:

Budget Analysis and Review and Finance and Audit Committees

CONTACT PERSON:

Peter Hepburn, BARC Chair, peter.hepburn@canyons.edu, 661.362.3758

Maggie Farrell, ALA Treasurer and F&A Chair, maggie.farrell@unlv.edu, 702.895.2286

DRAFT OF MOTIONS:

The ALA Executive Board received and discussed the FY2021 preliminary budget and FY2021 Annual Estimate of Income that was referred by the ALA Budget Analysis and Review Committee and Finance and Audit Committee and approves the Preliminary FY 2021 budget and recommends to Council approval of the 2021 Annual Estimate of Income. The Annual Estimate of Income is \$79,273.953 and is explained in detail in EBD #3.40.

The Executive Board approves the Endowment Trustee Candidates as recommended by the Finance and Audit Committee only (CBD #33). *Action to be taken during June 30, 2020 Executive Board III Meeting.*

BACKGROUND:

Members of the Budget Analysis and Review Committee (BARC) and the Finance and Audit committee (F&A) held a joint meeting on Friday, June 12th to discuss and review a number of financial issues and are pleased to report to the Executive Board on our activities. Below is a list of the primary topics discussed:

- Analyzed FY2020 YTD (January 31, 2020) Financial Results (EBD# 3.39 and EBD#3.39A)
- Reviewed the Preliminary FY2021 Budget and Annual Estimates of Income (EBD#3.40)
- Discussed the YTD, YE Projections, and FY2021 Outlook for Conference Services, Publishing, and Membership (EBD #12.61, 12.60, 12.59)
- Discussed the Operational Liquidity Update (EBD#3.43)
- Reviewed the FY2019 and FY2020 Strategic Investment Budget Tracker (EBD#3.44)

- Received reports on the following:
- Operating Agreement Workgroup Charge (EBD#10.7.1)
- Endowment Trustees Report (EBD #13.4)
- Public Policy and Advocacy (EBD #12.58)
- Development Office Report (EBD #6.6)
- Information Technology Report (EBD #12.64)

Other Items included ALA Real Estate and HQ Move, SCOE/Forward Together, and a brief update regarding the Accounting Outsourcing Update. The members also discussed the upcoming PBA/BARC/Divisional Leaders’ meeting on June 19, 2020. BARC and F&A will have a virtual orientation in the fall for new members, an informational call bringing members up to date on financial matters in September, and a joint BARC/F&A virtual meeting on October 19, 2020.

DETAILED INFORMATIONAL ITEMS:

FY2020 YTD (January 31, 2020) Financial Results (EBD# 3.39 and EBD#3.39A)

NET REVENUE (EXPENSE)	Five Month Actual January 31, 2020	Five Month Budget January 31, 2020	Five Month Variance January 31, 2020
General Fund	(4,007,222)	(2,462,815)	(1,544,407)
Division	(506,038)	(1,272,996)	766,958
Round Tables	114,094	56,965	57,129
Grants and Awards	0	29,276	(29,276)
Long-Term Investment	533,410	(136,899)	670,309
Total Net Revenue (Expense)	(3,865,756)	(3,786,469)	(79,287)

To summarize FY2020 financial status, we are anticipating a budget deficit due to the impacts of canceling ALA 2020 Annual Conference and other activities. Expenses are generally under budget across units. IT is slightly over budget, but IT has identified areas for budget reductions. The outsourcing of financial accounting has caused a delay in reporting and remains a significant concern.

Preliminary FY2021 Budget and Annual Estimates of Income (EBD#3.40)

As is customary between the Spring BARC meeting and the Annual Conference, ALA Unit Managers, in conjunction with Finance Office staff, continued to review their FY21 preliminary budgets and have made revenue and expense adjustments reflecting the most current information and decisions. At this time, we are anticipating a \$4.5 million deficit but ALA is looking for additional cost savings across the organization to increase their safety net given the

unpredictability of COVID-19’s impact on revenue. Following is a summary of strategies to cover the FY2021 deficit:

Budget deficit for FY 2021	\$ (4,528,720)	
Additional furlough days	250,000	Represents 3 additional furlough days
Paycheck Protection Program (PPP) funding	1,200,000	\$3 million will be used in FY 2020; \$1.2 million will be converted to a loan at 1% interest and used in FY 2021
Economic Injury Disaster Loan (EIDL)	1,500,000	Applied for \$2 million
Increase in line of credit	600,000	
Endowment loan	1,500,000	\$3 million overall in FY 2021 and FY 2022; terms of 0% interest to be repaid in 5-7 years
	\$ 521,280	We will continue to look for cost savings across the organization to increase our safety net given the unpredictability of COVID-19’s impact on revenue
<u>Furlough days</u>		
To balance financial pressures with employee productivity, 5 days will be taken in FY 2020 and 5 furlough weeks (23 days) are budgeted for FY 2021.		

ACTION ITEM:

The ALA Executive Board received and discussed the FY2021 preliminary budget and FY2021 Annual Estimate of Income that was referred by the ALA Budget Analysis and Review Committee and Finance and Audit Committee and approves the Preliminary FY 2021 budget and recommends to Council approval of the 2021 Annual Estimate of Income. The Annual Estimate of Income is \$79,273,953 and is explained in detail in EBD #3.40.

Operational Liquidity Update (EBD#3.43)

ALA Finance Office through a series of measures has increased liquidity from FY2020 start \$3,910,301 to May 2020 \$5,094,926.

Endowment Trustee Candidates (CBD #XX)

In a closed session, F&A discussed two forthcoming vacant Endowment Trustee positions. F&A solicited candidates for the positions and are recommending two individuals to fill the positions.

ACTION ITEM:

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

ACKNOWLEDGEMENT:

BARC and F&A extends its sincere thanks to the ALA finance staff: Denise Moritz, Joanne Lee, Keith Brown, Brad Geene, and Ligia Barac for their work and support in preparing for the committees’ meeting and discussions.

Respectfully submitted:

Peter Hepburn, BARC, Chair
Brett Bonfield

Carl Harvey
John Lehner
Rodney Lippard
Lessa Pelayo-Lozada
Steven Potter
Trevor Dawes (absent)

F & A
Maggie Farrell, Chair and ALA Treasurer
Ed Garcia
Maria McCauley
Patty Wong

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