American Library Association

Endowment Trustees
Orientation to ALA Council

Patricia Wand – Senior Trustee
Mario Gonzalez – Trustee
Keith Brown – Senior Financial Analyst
Denise Moritz – Interim CFO

Tune-in-Tuesday
Tuesday, November 10, 2020
Orientation to ALA Endowment

What we’ll cover

Where we are
...today?

Charge & Responsibilities

Decision-Making Process

Terminology

Calendar

Planning

Endowment Trustees
and social justice
Endowment Trustees

- Appointed by the ALA Executive Board
- 7 Trustees, each with three-year terms*
  - 6 appointed from general membership
  - ALA Treasurer (elected)
- Treasurer is Board liaison and voting member
- Senior Trustee (chair) selected by President-Elect with guidance from Trustees
- Trustees supported by
  - ALA finance staff
  - External investment advisers

*May serve two consecutive terms. There is no lifetime limit.
Charge and Responsibility
Endowment Trustees

Primary Focus – Maximize returns and foster an investment environment that supports generating funds for operations, scholarships, awards, & units. Trustees use the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as the guidepost for investment decisions and operations. Trustees are expected to:

- Develop the endowment fund strategic plan
- Align goals and objectives with the mission of the Association
- Recruit, retain and evaluate the performance of investment adviser
- Determine the strategic allocation of assets within the portfolio
- Regularly monitor and review performance of portfolio fund managers and asset classes; e.g. mutual funds, etc.
- Support fundraising efforts of ALA Development Office
- Stay abreast and up-to-date on the financial markets, the use of financial terms and ongoing economic activities
- Contribute to the preparation of reports to the ALA Executive Board, Council, and general membership
- Participate in the review and evaluation of Trustee performance
- Understand the Associations scholarship and awards programs
- Participate in recruiting future Trustees
Decision-Making Groups

**ENDOWMENT TRUSTEES**
- 6 - Elected by The Executive Board
  - + Treasurer

**EXECUTIVE BOARD**
- 4 - Elected by Membership
- 8 - Elected by Council
- 1 - Staff - Executive Director

**FINANCE & AUDIT COMMITTEE**
- Treasurer - Chair
- 3 - Executive Board Members
  - Appointed by the President
  - BARC Chair

**COUNCIL**
- 100 – Councilors at Large
- 11 - Divisional Councilors
- 53 - Chapter Councilors
- 12 - Executive Board Members
- 20 – Round Table Councilors

**PLANNING & BUDGET ASSEMBLY**
- Councilors Elected by Council
  - 5 Chapters; 5 At-Large
- Divisional Representatives
- Committee Chairs - ALA Committees
  - Chairs Appointed by President
- Round table Representatives

**BUDGET ANALYSIS & REVIEW COMMITTEE (BARC)**
- 6 - Members At-Large
- 2 - Executive Board Members*
- 1 - Treasurer
  - *Appointed by the President

**Divisions**
- Roundtables
- Offices
Roles and Responsibilities

**BARC**
- BARC is a committee of Council
- Recommendations from BARC are forwarded to F&A and the ALA Executive Board for review and approval
- BARC may be asked to consider, analyze, and review requests from: 
  - ALA Executive Board
  - Council
- BARC may consult with Endowment Trustees but has no reporting relationship with Trustees

**Finance & Audit**
- Finance & Audit is a committee of the Executive Board
- Recommendations from the committee are forwarded to the Executive Board
- Recommendations received from BARC, the Endowment Trustees and senior management are reviewed and may be:
  - Accepted and forwarded to the Executive Board
  - Altered and forwarded to the Executive Board
  - Rejected

**Endowment**
- Trustees report to the Executive Board
- Recommendations resulting from the work of Trustees are forwarded to F&A and the Executive Board
- Trustees may receive requests or direction from the Executive Board
- Trustees may receive requests for information from Council through BARC
Findings on Council referrals are reported to BARC and by BARC to Council.

- Trustees meet to review portfolio and asset allocations
- Trustees align investments to Investment Policy Statement
- Trustees make recommendations to the Executive Board

Recommendations from Trustees forwarded

Recommendations from F&A forwarded

- F&A reviews recommendations from Trustees and accepts, modifies, or rejects

Trustee recommendations reported via F&A to Executive Board
- Executive Board may direct Trustees to take specific action.

Executive Board reviews, accepts, rejects or modifies Trustee recommendations
How does it all fit together?

Road Map
ALA Mission

The mission of the American Library Association is to provide leadership for the development, promotion, and improvement of library and information services and the profession of librarianship in order to enhance learning and ensure access to information for all.
Revenues, Expenditures, Assets, and Obligations are tracked separately for each of the funds above
Projected Balance Sheet - FY20

Net Assets = Difference between what we have and what we owe

ASSETS = LIABILITIES + NET ASSETS

- Cash
- Accounts Receivable
- Inventory
- ALA Endowment
- Investments
- Real Estate
- Accounts Payable
- Payroll
- Debt
- Post-Retirement Benefits

[$39,861,815] 49.5% “What we own”

[$40,689,726] 50.5%

[$80,551,542] 100% “What we own”

Net Assets = Difference between what we have and what we owe
How do we achieve ALA’s Mission and fund it?

ALA Strategic Directions & Five Year Financial Plan

ALa’s Mission and Strategic Directions, the ALA Five-Year Financial Plan and Annual Budgets act as ALA’s financial “roadmap.”
Available Payout from Endowment
Past 5 years

Each year Endowment Trustees review endowment portfolio performance, examine Association needs, and determine a maximum payout.

Allowable payout range is 3% - 5%. Based on rolling average of previous 20 quarters.

Each of last five years Trustees determined 5% as the available payout.

<table>
<thead>
<tr>
<th></th>
<th>Total – All Accounts</th>
<th>Future Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY21</td>
<td>$2,074,714</td>
<td>$642,633</td>
</tr>
<tr>
<td>FY20</td>
<td>$1,994,570</td>
<td>$635,295</td>
</tr>
<tr>
<td>FY19</td>
<td>$1,901,972</td>
<td>$603,295</td>
</tr>
<tr>
<td>FY18</td>
<td>$1,810,857</td>
<td>$588,583</td>
</tr>
<tr>
<td>FY17</td>
<td>$1,745,079</td>
<td>$581,059</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong> $9,527,192</td>
<td><strong>$3,050,865</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Average</strong> $1,905,438</td>
<td><strong>$610,173</strong></td>
</tr>
</tbody>
</table>
ALA Budget Planning Cycle
How do we set priorities and allocate resources annually?

ALA Budget Cycle for FY22

**Preparation (Oct-Dec)**
- ALA Staff update Five Year Plan
- ALA Staff creates revenue projections
- ALA Staff develops budget requests

**Fall BARC (Oct)**
- ALA “Final” Budget presented to BARC, F&A, and Board

**Midwinter BARC (Jan-Feb)**
- Key Fiscal Year Assumptions presented to BARC.
- Future guidance and input from PBA
- Trustees consider payout rate

**Annual Conference BARC (Jun – Jul)**
- ALA “Total” Budget presented to BARC, F&A, and Board

**Spring BARC (Apr-May)**
- ALA “Preliminary” Budget presented to BARC, F&A, and Board

With goals of mission attainment and financial sustainability, the process for FY22 begins Oct-Dec 2020 (1st Quarter FY21).
Endowment Planning Cycle

Goals and Dates
# Endowment Planning Calendar

**American Library Association**  
**Endowment Trustees**  
**Fiscal Year Work Plan**

<table>
<thead>
<tr>
<th>Responsibilities</th>
<th>Frequency</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Performance Review</td>
<td>Quarterly</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IPS Compliance Review</td>
<td>Quarterly</td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Policy Statement Review</td>
<td>Annually</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review other Endowment Documents</td>
<td>Annually</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Advisor Review</td>
<td>Annually</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio Review (vs objectives and benchmarks)</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Asset Allocation Study</td>
<td>Annually</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stochastic Analysis (Monte Carlo)</td>
<td>Annually</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Scenario Analysis (Stress Test)</td>
<td>Annually</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Manager Review</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Fee Analysis</td>
<td>Annually</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Planning Session</td>
<td>Annually</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Investment Advisor RFP</td>
<td>Every 3 to 5 Years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board Survey on Risk Tolerance</td>
<td>Every 3 Years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiduciary Training</td>
<td>Every 3 Years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESG Monitoring</td>
<td>Semi-annual</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benchmark Review</td>
<td>Annual</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Risk Discussion</td>
<td>Semi-annual</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ALA Financial Meeting Dates* - 2020/2021

**Fall Meeting - Virtual**
- **Trustees** - Tuesday, September 22, Virtual
- BARC/F&A – Monday, October 19, 2020
- Executive Board – Saturday, October 24 and Monday, October 26, 2020

**Midwinter Meetings – Virtual**
- BARC/F&A – Friday, January 22, 2021
- F&A – Monday, January 25, 2021
- BARC – Sunday, January 24, 2021 (PBA/Division Leadership)
- BARC – Monday, January 25, 2021 (tentatively to consider possible Council resolutions)
- Executive Board – Friday, January 22 – Tuesday, January 26, 2021
- **Trustees** – Tuesday, February 2, 2021 (Tentative)

**Spring Meeting – Chicago / Virtual**
- F&A – Thursday, April 8, 2021
- Executive Board – Friday, April 9 – Sunday, April 11, 2021
- BARC – Monday, April 12 and Tuesday, April 13
- **Trustees** - Tuesday May 18, 2021 (tentative)

**Annual Conference - Chicago**
- BARC/F&A - Friday, June 25, 2021  Executive Board Friday, June 25 – Tuesday, June 28, 2021
- BARC – Sunday, June 26, 2021 (PBA/Division Leadership)
- BARC – Monday, June 27, 2021 (tentatively to consider possible Council resolutions)

* Additional updates to come
Goals for FY 2021

- Strengthen communication with members
- Seek ETFs managed by minority firms
- Deepen understanding of asset classes
- Clarify and record additional procedures
Additional Resources

Continuing Education
Documents on Trustees Webpage

http://www.ala.org/aboutala/sites/ala.org.aboutala/files/content/governance/financialdata/financialrpts/ETManual.pdf

- Policy and Procedure Manual
- Strategic Review 2018 – 2019 (Introduction)
- Finance Decision-Making Responsibilities (chart)*
- Endowment Fact Sheet
- Investment Policy Statement**
- Endowment Trustees Charge and Responsibilities
- Endowment Planning Calendar, Financial Meeting Dates
- Investment Advisor Selection
- Trustee Position Description
- Application for Trustee Candidates
- Conflict of Interest Form
- Why ALA Endowment Fund is essential - Elevator speech
Webcast topics on Treasurers webpage

- Budget Planning for a Pre-Conference or a One Time Event
- Organizational Structure
- Budget Cycle and Process
- The Operating Agreement
- The Long-Term Investment Fund
- Round Tables Financial Orientation
Questions?