

**American Library Association
Joint BARC Finance and Audit Committee Report
to the ALA Executive Board
June 24, 2019**

TO: ALA Executive Board

DATE: June 24, 2019

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 Revised FY20 Annual Estimates of Income (EBD #3.17/BARC #3.17, EBD #3.23)

Approval of the Revised Investment Policy Statement (IPS) (EBD #13.4 /BARC #13.4)

Approval of the Endowment Trustee Candidates (CBD #33)

ACTION REQUESTED BY:

Budget Analysis and Review and Finance and Audit Committees

CONTACT PERSON:

Maggie Farrell, BARC Chair, maggie.farrell@unlv.edu, 702.895.2286

Susan Hildreth, ALA Treasurer and F&A Chair, shhildreth@comcast.net, 206 – 619-5030

DRAFT OF MOTIONS:

The ALA Executive Board received and discussed the FY2020 preliminary budget and FY2020 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 2020 budget and recommends to Council approval of the 2020 Annual Estimate of Income. The Annual Estimate of Income is \$85,725,741 and is explained in detail in EBD \$3.17 and #3.22. Please refer to EBD #3.23 for action.

The Executive Board approves the Revised Investment Policy Statement (IPS) as approved by the Finance and Audit Committee only (EBD #13.4 /BARC #13.4).

The Executive Board approves the Endowment Trustee Candidates as recommended by the Finance and Audit Committee only (CBD #33).

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 21st 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 the YTD Eight-Month Financial Results, April 2019 (EBD #3.18).
- Discussed the Three-Year Investment Plan including summary reports for investments in ITTS, Advocacy, and Development (EBD #3.19, 3.20, 3.21).

- Discussed year to date results, year-end projections, and FY20 outlook for publishing, conference services, and membership (EBD #12.41, 12.42, 12.43).
- Discussed an update on the FY20 Budget (EBD #3.17).
- Discussed the 5-Year Budget Plan (EBD #4.13).
- Discussed the BARC initiative to develop metrics to assess the three year strategic investment plan.
- F&A discussed and approved the Revised Investment Policy Statement (IPS) (EBD #13.4).
- F&A considered the Endowment Trustee Candidates in a closed session (CBD #33)

Other Items included informational conference calls between meetings and preparation for Annual Conference PBA and Divisional Leaders' meetings. The fall 2019 meeting dates were also announced.

DETAILED INFORMATIONAL ITEMS:

YTD Eight-Month Financial Results, April 2019 (EBD #3.18) - For the eight month period ending April 30th, ALA realized Total Revenues of \$29.2M, exceeding budget by over 2%. Although compared to the same period last year (FY18), Total Revenues were \$3.9M lower (-11.9%), compared to the most recent one Division conference year (FY17), FY19 revenues were higher by \$605k (2.1%.) Within Total ALA, the General Fund and Divisions lagged FY19 revenue projections by -7.1% and -4.6% respectively, but higher than projected revenue in the Endowment and Roundtables offset the revenue variances elsewhere. For the same period last year, revenues for the General Fund and Divisions missed projections by -3% and 0% respectively.

ALA expenses for the eight month period were \$34.3M, which was an unfavorable variance from budget of -3%. For the same period in FY2018, total ALA expenses were right on budget. With the exception of the General Fund (-2.6% over budget), actual expenses were lower than budget for all funds. As discussed in the General Fund section and in the Department Commentary, the unfavorable expense variance was primarily due to audio visual cost overruns from the Midwinter Meeting in Seattle.

Overall, ALA realized a net expense (or excess of expenses over revenues) of -\$5.1M for the 8 month period in FY 2019. This represented a larger net expense than the budgeted \$4.6M net expense by \$490k (10% worse than budget) for the period.

To summarize FY 19 financial status, we are anticipating a budget deficit of \$3.6 million. \$2.4 million is a planned deficit as part of the strategic investments in advocacy, development, and information technology. These planned initiatives are on track. \$1.2 million is an operational deficit caused by higher Midwinter AV costs, lower division overhead contributions, lower interest income, and lower publishing revenue.

Three-Year Investment Plan (EBD #3.19, 3.20, 3.21) - BARC and F&A reviewed the three year strategic investment plan including reports for ITTS, Advocacy, and Development. The three year financial plan is on track and beginning to show results with new positions and technology improvements. In addition, BARC and F&A reviewed summary reports for publishing, conference, and membership.

FY20 Budget (EBD #3.17/EDB #3.22) - 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 FY20 preliminary budgets and have made revenue and expense adjustments reflecting the most current information and decisions. Material changes are summarized in the table below. In aggregate, an additional \$415,000 of expense has been added since spring.

| ALA's General Fund: FY 2020 Revised Budget, (\$,000) | | | | | | | | | | | | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------------------|--|--------------------------------|------|-----------------------------------|------|-------------------------------|------|--------------|------|-------------------------------------|------------|-----------------------------|-------|--------------|--------------|
| Spring Preliminary Budget = | (2,444) | | | | | | | | | | | | | | | | |
| <table border="1" style="margin: 10px auto; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">Expense savings, net</th> </tr> </thead> <tbody> <tr> <td>Office of Intellectual Freedom</td> <td style="text-align: right;">43</td> </tr> <tr> <td>Office of Accreditation</td> <td style="text-align: right;">7</td> </tr> <tr> <td>Information Technology (ITTS)</td> <td style="text-align: right;">19</td> </tr> <tr> <td>Overhead</td> <td style="text-align: right;">90</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">159</td> </tr> </tbody> </table> | | Expense savings, net | | Office of Intellectual Freedom | 43 | Office of Accreditation | 7 | Information Technology (ITTS) | 19 | Overhead | 90 | Total | 159 | | | | |
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| Expense additions, net | | | | | | | | | | | | | | | | | |
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| Communications & Marketing Office | (89) | | | | | | | | | | | | | | | | |
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| ALA Editions | (13) | | | | | | | | | | | | | | | | |
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| Annual Conference (Chicago) | (189) | | | | | | | | | | | | | | | | |
| Total | (576) | | | | | | | | | | | | | | | | |
| <p style="margin: 10px auto;"><i>All other nonmaterial changes, net</i> 2</p> | | | | | | | | | | | | | | | | | |
| Revised Budget (as shown on Budget Schedule EBD/BARC #3.22) = | (2,859) | | | | | | | | | | | | | | | | |

ACTION ITEM:

The ALA Executive Board received and discussed the FY2020 preliminary budget and FY2020 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 2020 budget and recommends to Council approval of the 2020 Annual Estimate of Income. The Annual Estimate of Income is \$85,725,741 and is explained in detail in EBD \$3.17 and #3.22. Please refer to EBD #3.23 for action.

5-Year Plan Update (EBD #4.13/BARC #4.13) - BARC and F&A reviewed the 5-Year Plan considering the three year strategic investment initiatives. The plan is a guide forecasting the financial needs and assumptions of the association.

Revised Investment Policy Statement (IPS) (EBD #13.4) - F&A considered the revised Investment Policy Statement developed by the ALA Endowment Trustees. The Trustees discussed F&A and BARC comments during their May meeting and incorporated some items within the revision. F&A and BARC remain concerned that investments reflect the values of the

association including an increase in ESG investments. BARC members made several comments/suggestions regarding the IPS that will be conveyed to the Trustees and noted that incoming Trustee Maggie Farrell and current Trustee Brian Schottlaender were attending the BARC/F&A meeting.

ACTION ITEM:

The Executive Board approves the Revised Investment Policy Statement (IPS) as approved by the Finance and Audit Committee (EBD #13.4 /BARC #13.4).

Endowment Trustee Candidates (CBD #33) - 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 #33).

FUTURE ACTIONS:

BARC and F&A are working with the Finance Office on metrics to assess the Three Year Strategic Investment Plan. BARC and F&A have designated liaisons to be a resource for the Conference Committee and Steering Committee on Organizational Effectiveness (SCOE) in order to contribute to the financial planning for these initiatives. The next meetings will be F&A and BARC will be October 20, 2019.

ACKNOWLEDGEMENT:

BARC and F&A extends its sincere thanks to the ALA finance staff: Mark Leon, Joanne Lee, Keith Brown, Brad Geene, Denise Moritz and Ligia Barac for their work and support in preparing for the committees' meeting and discussions. On a personal note, the Treasurer and BARC chair have strived to coordinate their respective work to reduce redundancies, improve communication, and provide more transparency. This model will serve the association well as we examine operations and initiatives that support our mission.

Respectfully submitted:

BARC Maggie Farrell, Chair
Brett Bonfield
Karen Downing
Carl Harvey
Peter Hepburn
Rhea Lawson
Steven Potter
Trevor Dawes (absent)

F & A

Susan Hildreth, Treasurer
Andrew Pace
Ed Garcia

Maria McCauley