

TO: ALA Executive Board

EBD #3.13

DATE: January 27, 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:

Acceptance of the Audit Reports

ACTION REQUESTED BY:

BARC and F&A

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:

- F&A with concurrence of BARC recommends to the Executive Board the presidential programs preliminary budget submitted by the 2020-2021 ALA President (EBD #3.25).
- F&A with concurrence of BARC recommends to the Executive Board adoption of the Strategic Framework for Return on Investment Metrics Associated with the American Library Association's 2019, 2020, and 2021 Investment Budgets (EBD #3.15)

BACKGROUND:

Members of the Budget Analysis and Review Committee (BARC) and the Finance and Audit committee (F&A) held a joint meeting on Friday, January 24th 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:

- Discussion and approval for the proposed Presidential Initiative Budget for FY 21 with President-Elect Julius C. Jefferson, Jr. (EBD #3.25)
- Reviewed FY19 year-end financial results (EBD #3.18).
- Analyzed FY20 three month results, November 30, 2019 (EBD #3.19).
- Reviewed the FY20 Three-Month Financial Department Commentary (EBD #3.19a)
- Discussed the Endowment Trustees Report (EBD #13.1).
- F&A reviewed the Auditor Reports and Communication (EBD #3.14, #3.22, and #3.23)
- F&A conducted an Auditor Evaluation in closed session (CBD #20)

Other discussion items included the depleted short term investment account, SCOE/Forward Together, liaison visits, and preparation for Midwinter PBA and Divisional Leaders' meetings.

There were additional information reports provided to BARC and F&A including individual strategic investment budget reports, publishing, membership, conference services, and FY21 Budget Guidance for ALA Managers.

DETAILED INFORMATIONAL ITEMS:

ALA FY 2019 Year-End Financial Results (EBD #3.18)

For the twelve month period ended August 31, 2019, ALA realized Total Revenues of \$49.7M, exceeding budget by 5%. Although compared to the same period last year (FY18), Total Revenues were \$3.5M lower (-6.6%) and compared to the most recent one Division conference year (FY17), FY19 revenues were relatively flat. Within Total ALA, the General Fund missed FY19 revenue budget by -4%, Divisions as a whole met projections, and higher than projected revenue in the Round Tables and Grants offset the revenue variances elsewhere. For FY 2018, revenues for Total ALA were 3% better than budget and the General Fund and Divisions were right on budget.

ALA expenses for twelve month period were \$54M, which was an unfavorable variance from budget of -4%. For the same period in FY 2018, total ALA expenses were right on budget. While the Divisions saw expenses lower than budget (7% favorable), the General Fund (-2% unfavorable), Round Tables (-23% unfavorable), Grants (-41% unfavorable) and the Endowment (-22% unfavorable) were higher than budget. As discussed in the fall 2019 General Fund section and in the fall 2019 Departmental Commentary, the unfavorable expense variance was primarily due to audio visual cost overruns from the Midwinter Meeting in Seattle, as well as higher consulting and legal expenses than budgeted.

Overall, ALA realized a net expense (or excess of expenses over revenues) of -\$4.5M in FY 2019. This represented a smaller net expense than the budgeted \$4.8M net expense by \$355k (7% better than budget) for the period.

ALA FY 2020 – Three Month Financials as of November 30, 2019 (EBD #3.19)

ALA realized revenues for the 1st quarter of FY 2020 (3 month period) of \$9.8M, exceeding budget by 4.2%. While this was higher than Q1 FY19 revenues by \$400k, it was lower than Q1 FY18 revenues, the most recent two-conference fiscal year, by \$759k, a decrease of 7.2%. The \$400k increase over the 1st quarter of FY 2019 was primarily due to the Divisions (\$298k) and Grant and Awards (\$230k). Within Total ALA revenues, the General Fund missed budget by 2.0% (vs. 2.8% over budget in FY19) while all other areas are close to budget.

ALA expenses for the three month period were \$12M, which was an unfavorable variance from budget of -4%. For the same period in FY19, total ALA expenses were within 1% of budget. While the Divisions, Round Tables and the Endowment saw expenses lower than budget (5%, 48% and 5% favorable, respectively), the General Fund (-9% unfavorable) and Grants and Awards (-19% unfavorable) were higher than budget. As discussed in the General Fund section and in the Departmental Commentary, the unfavorable expense variance was primarily due to employee benefit expense of \$148k, real estate broker commission of \$270k, HQ building expense of \$93k due to longer than anticipated stay in current space, legal fees related to the sale of ALA HQ of \$62k, interest expense of \$32k related to additional borrowings and SCOE expenses of \$16k.

Overall, ALA realized a net expense (or excess of expenses over revenues) of -\$2.3M in FY20. This represented a larger net expense than the budgeted \$2.2M net expense by \$79k (4% worse than budget) for the three months.

Endowment Trustees Report (EBD #13.1)

Pat Wand, Senior Trustee, presented endowment portfolio results and recent activities. In addition, the committees discussed investments in environmental, social, and corporate governance (ESG) investing noting that the endowment is 34% ESG. The trustees are committed to increasing ESG investments.

F&A Auditor Meeting

FY 2019 Audit Report – Muller & Co., LLP presented the audit results related to the fiscal year 2019 - Audit Results (EBD #3.14), Single Audit Results EBD #3.22) and Required Communications EBD #3.23). ALA received an unmodified/clean opinion – the best possible rating - and that the financial statements fairly represented in all material respects, the financial position of the American Library Association. The same finding was made to the Association’s single audit for government grants, while the required communications reflected no significant findings and acceptable estimates used during the engagement.

ACTION ITEMS:

F&A with concurrence of BARC recommends to the Executive Board the presidential programs preliminary budget submitted by the 2020-2021 ALA President (EBD #3.25).

F&A with concurrence of BARC recommends to the Executive Board adoption of the Strategic Framework for Return on Investment Metrics Associated with the American Library Association’s 2019, 2020, and 2021 Investment Budgets.

ACKNOWLEDGEMENT:

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

Respectfully submitted:

BARC

Peter Hepburn, Chair
Brett Bonfield
Trevor Dawes
Carl Harvey
Rodney Lippard
John Lehner
Steven Potter
Lessa Pelayo-Lozada
Maggie Farrell, Treasurer

F & A

Maggie Farrell, Treasurer
Ed Garcia
Maria McCauley
Patty Wong
Peter Hepburn – BARC Chair

