

Council Financial Orientation

- The ALA Budget and Decision Making Process -

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Saturday, June 22, 2019
Washington, DC

The Financial Process Starts and Ends with Your Actions

At Each Midwinter Meeting

- Council approves the Association's Programmatic Priorities and Strategic Directions

At Each Annual Conference

- Council approves the Annual Estimates of Income

WHERE AN ALA DOLLAR COMES FROM



18%
Dues

36%
Publishing

24%
Meetings &
Conferences

10%
Grants &
Awards

3%
Donations

3%
Interest &
Dividends

6%
Other

For every dollar in dues, ALA generates an additional four dollars in revenue from publications, meetings and conferences, grants and awards, interest and dividends and other revenue sources. Percentages are based on the 2019 ALA budget and include revenues from divisions, round tables, and the ALA general fund. "Interest & Dividends" includes interest income and support from the ALA Endowment Fund. "Other" includes royalties and miscellaneous fees and revenues.

Based on the approved 2019 budget

WHERE AN ALA DOLLAR GOES



14%
Advocacy for Libraries and the Profession

Includes raising public awareness of the value of libraries; developing promotional materials; conducting effective media relations; recruiting and mobilizing a network of advocates; developing resources and training for advocates; advancing legislation and policies that support libraries; researching the impacts of libraries; working with partners and stakeholders on advocacy goals; and working to ensure the sustainability and future of libraries.

12%
Information Policy and Intellectual Freedom

Includes policy development, education, research and advocating in the following policy areas: intellectual freedom, privacy, civil liberties, telecommunications, funding for education and research programs, funding for libraries, copyright and licensing, open access, government information, and literacy.

40%
Professional and Leadership Development

13%
Equity, Diversity, and Inclusion

Includes developing resources and training in the areas of equity, diversity and inclusion; providing cultural programming; promoting literacy through a variety of resources and initiatives; offering funding and grants; recruiting a diverse workforce to the profession; providing scholarships.

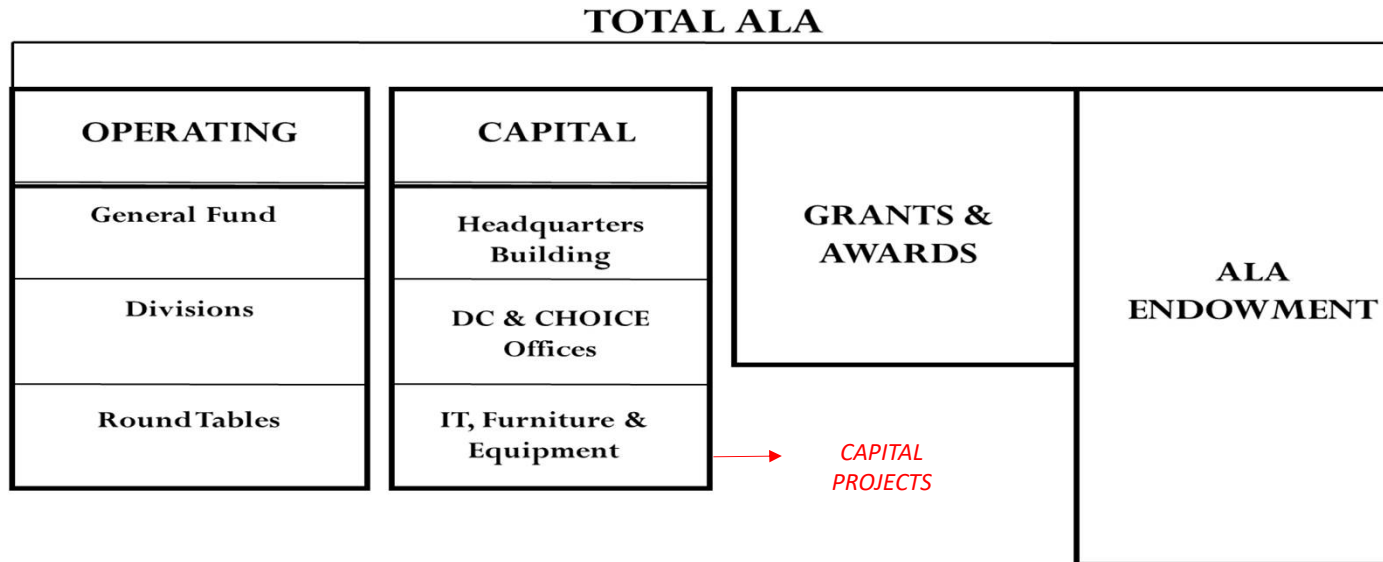
Includes supporting committees and executive boards; promoting membership; providing membership services; supporting membership engagement software (ALA Connect).

21%
Member Engagement and Support

Includes maintaining accreditation standards; maintaining standards for library services; developing educational resources; providing professional development opportunities; promoting career development opportunities; providing leadership development opportunities; providing award programs.

Based on the approved 2019 budget

ALA Operating Structure



The ALA Strategic Directions & Five Year Financial Plan How Do We Achieve the ALA's Mission and Fund It?

ALA Mission

- ALA Key Action Areas**
- Advocacy for Libraries & the Profession
 - Diversity
 - Education & Lifelong Learning
 - Equitable Access
 - Intellectual Freedom
 - Literacy
 - Organizational Excellence
 - Transforming Libraries

- ALA Strategic Directions**
- Advocacy
 - Information Policy
 - Professional & Leadership Development
 - Equity, Inclusion and Diversity

Core Organizational Values

ALA Five Year Plan

	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Revenue	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000
Expenses	950,000	1,000,000	1,050,000	1,100,000	1,150,000	950,000	1,000,000	1,050,000	1,100,000	1,150,000
Net Income	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000

ALA Fiscal Year 2017 Budgetary Ceiling

Designation and purpose: As part of ALA's annual budget process, a budgetary ceiling is calculated and presented to the Budget Analysis and Review Committee (BARC) for approval. The budgetary ceiling document captures and presents all available resources, or sources of funds, that can be expended during the subsequent fiscal year. Sources include a starting amount represented by any unexpended fund balances held up over previous fiscal years. Additionally, these fund balances are supplemented by budgetary revenue as well as any other fund transfers. The total of these sources represents the ceiling, or maximum available resources from all sources. BARC is charged with reviewing and approving the individual fund ceilings and Total AF Funds ceiling presented in the table below.

	General Fund*	Reserves	Special Funds	Grants & Awards	Long Term Investment	TOTAL AF FUNDS
AF TOTAL ALA BUDGETARY CEILING (for approval)	\$5,529,562	\$5,987,287	\$,045,453	\$,413,213	\$96,280	\$12,971,795
AF Net Asset Balance (projected at end of FY 2016)		\$4,761,817	\$,495,540			\$10,018,664
FY 2017 Budgeted Revenue (before transfers)	\$5,076,510	\$5,613,230	\$41,806	\$,413,213	\$,514,967	\$12,700,326
FY 2017 Budgeted Revenue Transfers:						
Interest & Dividend Transfer to General Fund	\$61,029					\$61,029
Specimen Interest & Dividends	\$5,000	\$2,160				\$7,160
Life Member Dues	\$5,000	\$2,160				\$7,160
Continuing Members	\$2,000	\$,000				\$,000
FY Total Revenue Budgeted plus transfers	\$5,149,539	\$5,639,550	\$41,806	\$,413,213	\$,514,967	\$12,779,075

*As per ALA Operating Practices, the General Fund's Net Asset Balance (if any) is not considered for the calculation as each fiscal year's budget is approved with maximum balancing expenses.

ALA Annual Budget

Guided by ALA's Mission and Strategic Directions, the ALA Five Year Financial Plan and Annual Budget act as ALA's financial "roadmap"

Who are Key Stakeholders in Development of ALA Budget ?

- Broad Overview
 - Strategic Plan
 - Senior Management
 - Planning & Budget Assembly
 - Member Leaders
- Governance View
 - Executive Board
 - Council
 - BARC
 - Finance & Audit Committee
- Staff View
 - Divisions
 - Round Tables
 - Committees
 - Departments
 - Units



Budget Analysis and Review Committee

- BARC -

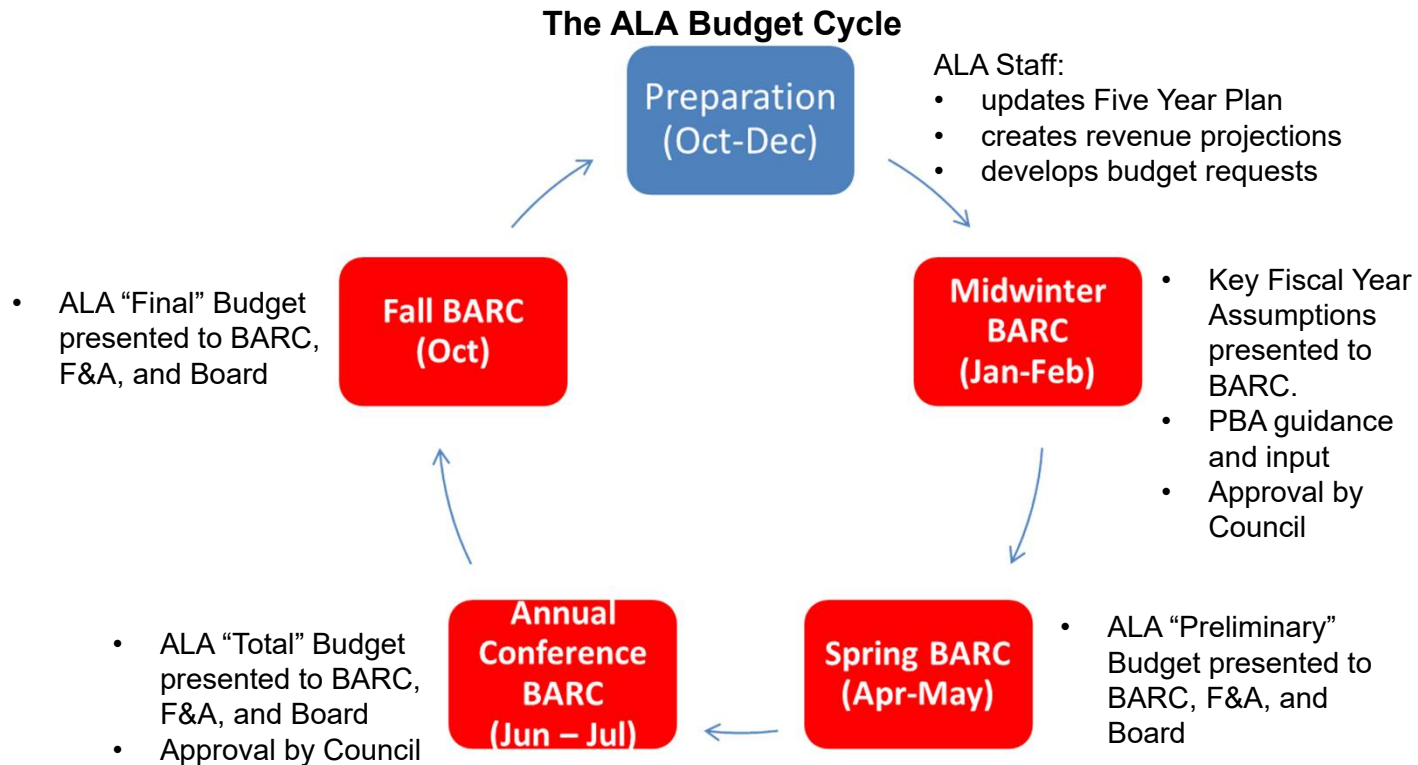
- ALA Council standing committee
 - six members at large from general membership
 - two members from Executive Board
 - ALA Treasurer is a member
- Has primary responsibility for detailed review and monitoring of budget
- Reviews current year's budget financial performance
- Reports to Council on performance of budget
- Reviews proposed budget as forwarded from Executive Board in spring
- Reviews resolutions from Council that may have potential financial implications

Council Referrals to BARC

- BARC is charged with determining financial impact, if any, of any referrals from Council
- BARC works closely with Resolutions Committee to provide a transparent review process for resolutions
- BARC reports to Council on findings of financial impact analysis
- **Recent Council Referrals to BARC**
 - Roadblocks to Diversity Leaderships
 - Fossil Fuel Investments in ALA Endowment

ALA's Annual Budget Process

How Do We Set Priorities and Allocate Resources Annually?



With the dual goals of mission attainment and financial sustainability, the process for FY19 began in Oct-Dec 2017 (1st Quarter FY18)

Other Important Information to Know

- Final adjustments can and are made to budget between Annual Conference and Fall Executive Board meeting
 - Final budget is approved in October, even though new fiscal year starts in September
- New projects/initiatives introduced outside approved budget process will generally have to wait until next budget cycle
 - New projects/initiatives developed outside budget process are handled on a case by case basis and encouraged to wait until next budget cycle

The ALA Operating Agreement

- Establishes a shared responsibility for the management of the Association
- Adopted in 1976 by ALA Council, revised in 1982
- Framework for ALA General Fund and Divisions to function together effectively and efficiently
- Divisions have autonomy, independence and freedom to pursue goals and objectives specific to them
- Collaboration/Cooperation is our primary priority as ALA and its Divisions have opportunities...to stimulate and build on each other's strengths

An Important Aspect of the Operating Agreement

The Overhead AKA Indirect Cost Rate

- Covers mandated central services i.e. Human Resources, Accounting, Building, Office Space, Legal etc.
- Rate is calculated annually in Spring/Early Summer via a financial model
- Calculation is determined by taking indirect costs generated by the model for ALA's revenue generating units - Conferences and Publishing divided by their revenue

The FY 2020 Indirect Cost Rate – 26.5%

- Applied to FY 19 & FY20 Budgets -

	Calculated	% of Rate	Effective
<u>Revenue Category</u>	<u>Overhead Rate</u>	<u>Applied</u>	<u>Rate</u>
Dues	26.5%	NA	NA
Publishing*		50%	13.25%
Meetings & Conferences		100%	26.5%
Contributions		NA	NA
Miscellaneous		NA	NA

*Includes Sale of Materials, Advertising and Subscriptions
 Source: Rate application - ALA Operating Agreement page 8

General Fund Net Revenue Sources – 2018

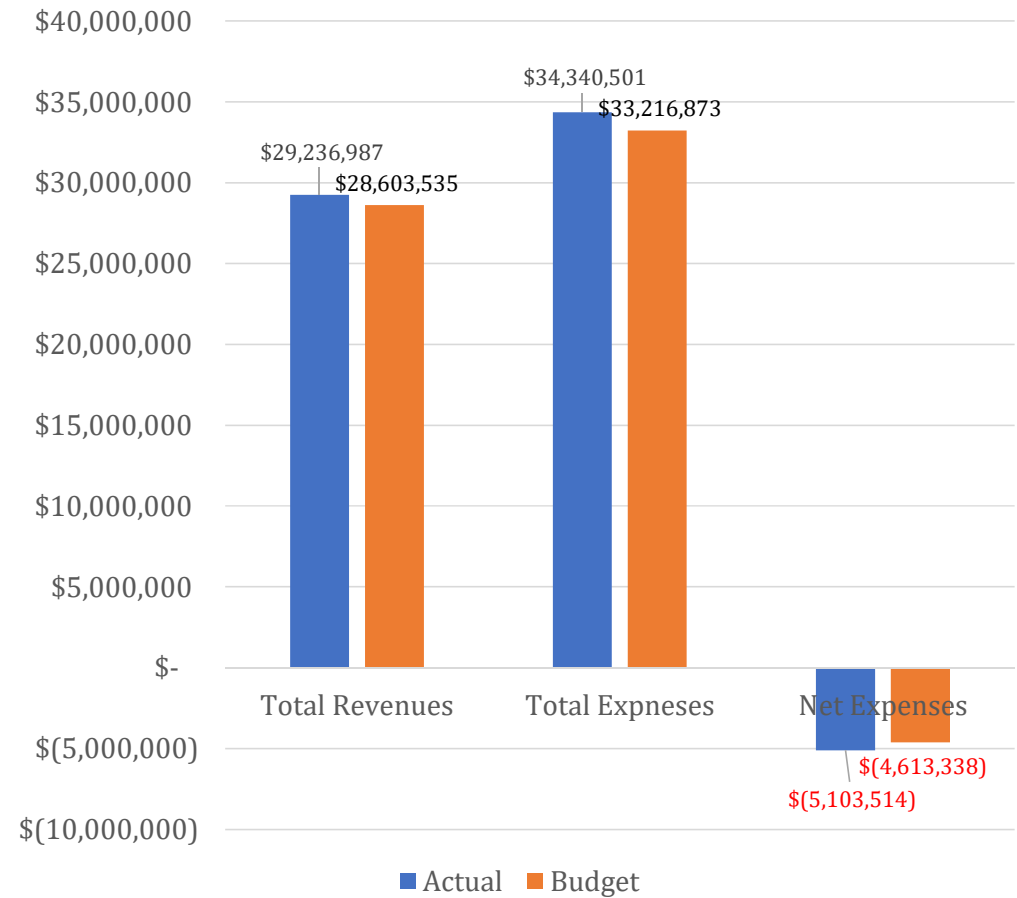
- and other support -

	<u>Revenues</u>	<u>Overhead Support</u>	<u>Total Support</u>
Interest & Earnings	\$ 1,110,410	\$ 0	\$ 1,110,410
Membership Dues - Net	\$ 5,272,729	\$ 0	\$ 5,272,729
Publishing - Net	\$ 264,796	\$ 3,208,395	\$ 3,473,191
Meetings & Conferences -Net	\$ 287,050	\$ 2,344,365	\$ 2,631,415
Other	\$ 550,570	\$ 2,748,577*	\$ 3,299,147
Total	\$ 7,485,555	\$ 8,301,337	\$ 15,786,892

Source: Audited financial statements and Internal financial reports - final close

*Overhead contribution from Divisions, Roundtables and Grants

Total ALA Revenues and Expenses YTD 4-30-19



Key Initiatives/Additional Investments in FY 19 Budget

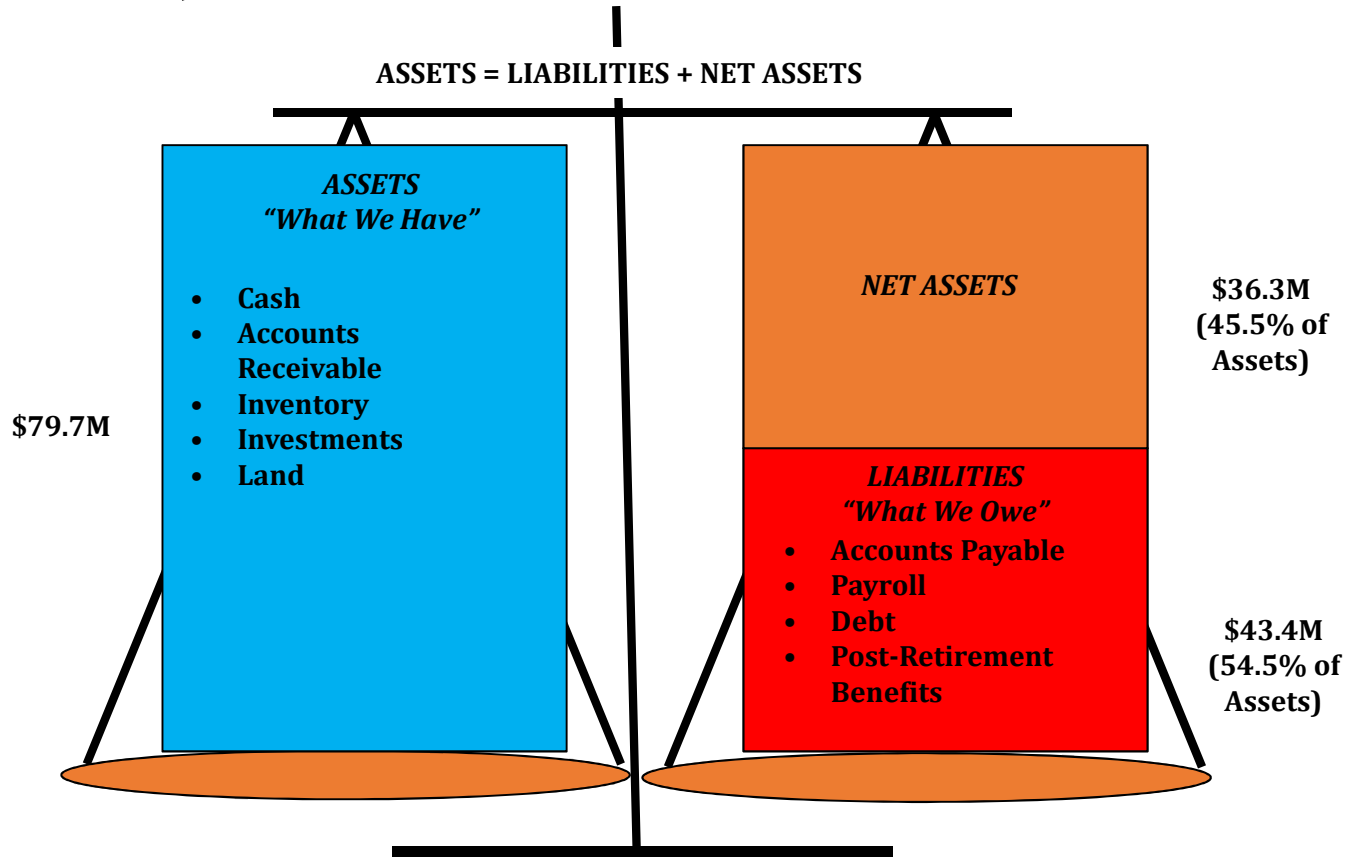
- Enhance fundraising capacity
 - ✓ Reallocate existing staff positions to support 2.5 additional FTE
 - ✓ Major gifts director, prospect researcher and support
- Support 21st century advocacy efforts
 - ✓ CRM (customer relations management) system for advocacy information
 - ✓ Support for enhanced outreach and engagement including “fly-in” event early in budget season for strategic legislative contacts
- Strengthen IT infrastructure and services
 - ✓ First year of three-year planned investment for capacity and customer service
 - ✓ Improved access to services, communication and information for members, staff and public

FY 19 Investment Spending FY 20 Investment Budget

		FY19 Spending			Total
	<u>FY19 Budget</u>	<u>On Track</u>	<u>FY20 Budget</u>	<u>FY21 Budget</u>	<u>Investment</u>
<u>Operating Budget</u>					
Advocacy	\$ 300,000	X	\$ 430,000	\$ 370,000	\$ 1,100,000
Development	\$ 176,750	X	\$ 276,000	\$ 292,000	\$ 744,750
ITTS	<u>\$ 632,200</u>	X	<u>\$ 908,200</u>	<u>\$ 2,481,200</u>	<u>\$ 4,021,600</u>
Total Operating Budget	\$ 1,108,950		\$ 1,614,200	\$ 3,143,200	\$ 5,866,350
<u>Capital Budget</u>					
Advocacy	\$ 110,000	X	\$ 62,000	\$ 62,000	\$ 234,000
Development	\$ -	NA	\$ -	\$ -	\$ -
ITTS	<u>\$ 728,298</u>	X	<u>\$ 605,298</u>	<u>\$ 1,466,965</u>	<u>\$ 2,800,561</u>
Total Capital Budget	\$ 838,298		\$ 667,298	\$ 1,528,965	\$ 3,034,561
Total Investment Budget	\$ 1,947,248		\$ 2,281,498	\$ 4,672,165	\$ 8,900,911

The FY 20 investment budget for Advocacy includes an additional \$60,000 to fund the National Public Policy Corps, not included in original investment plan.

ALA's Projected Balance Sheet for FY 2019



Net Assets is the difference between what we have and what we owe

Additional Useful Resources

- **Member Leaders**
 - Treasurer shildreth@comcast.net
 - BARC Chair
- **ALA Staff**
 - Executive Director
 - Division Executive Directors
 - CFO
 - ALA Finance Staff
- **Online Webinars and Other Training**
 - www.ala.org/aboutala/governance/financialdata
 - www.ala.org/aboutala/governance/financialdata/finlearn
 - [http://www.ala.org/aboutala/sites/ala.org.aboutala/files/content/governance/financialdata/financialrpts/ALA Financial Handbook Final15.pdf](http://www.ala.org/aboutala/sites/ala.org.aboutala/files/content/governance/financialdata/financialrpts/ALA_Financial_Handbook_Final15.pdf)