

TO: ALA Executive Board

DATE: January 28, 2019

RE: Joint Meeting report for the Budget, Analysis, and Review Committee (BARC) and the Finance and Audit Committee (F&A) to the ALA Executive Board

ACTION REQUESTED/INFORMATION/REPORT:

- Acceptance of FY 2018 Audit Report (EBD #3.8)
- Acceptance FY 2018 Single Audit Report i.e. Government Audit (EBD #3.5)
- Acceptance of Auditor Required Communication (EBD #3.6)
- Recommendation to negotiate a 3-year extension for auditing services with Muller & Co.

ACTION REQUESTED BY:

BARC and F&A

CONTACT PERSON:

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

Susan Hildreth, ALA Treasurer and F&A Chair, shildreth@comcast.net, 206.221.2335

DRAFT OF MOTIONS:

F&A recommends to the ALA Executive Board acceptance of the FY 2018 audit reports (EBD #3.8, EBD #3.5 and EBD #3.6) as issued by Mueller & Co., LLP.

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 28th to discuss and review a number of financial issues and are pleased to report to the Executive Board on our activities. The F&A also met separately on Monday January 28th to review and discuss the results of the 2018 financial results and related auditor reports. Below is a list of the primary topics discussed during these meetings:

- Discussion on proposed Presidential Initiative Budget for FY 20 with President-Elect Wanda Brown. BARC will review and recommend the presidential budget during our spring meeting.
- Reviewed FY18 year-end financial results (EBD #4.7).
- Analyzed FY19 three-month results, November 30, 2018 (EBD #14.1).
- Reviewed the updated ALA Financial Five-Year Plan (EBD #14.3).
- Discussed the Three-Year Investment Plan including summary reports for investments in ITTS, Advocacy, and Development (EBD #4.9).
- Discussed the Endowment Trustees Report (EBD #13.1).
- F&A reviewed the Auditor Reports and Communication (EBD #3.8, #3.5, and #3.6)
- F&A conducted an Auditor Evaluation in closed session (CBD #22)

Other items included liaison visits, conference calls between meetings for informational items and preparation for Midwinter PBA and Divisional Leaders' meetings.

Detailed Informational Items:

ALA FY 2018 Year-End Financial Results (BARC #4.7/EBD #4.7)

For the twelve-month FY18 period ending 8/31/18, total ALA revenues were \$53.2M, which exceeded budget by \$1.5M (2.8%.) This was due to revenues from Divisions, Grants, the Endowment, and Roundtables. The General Fund revenues slightly missed budget by less than 1%. Total ALA FY18 revenues increased by \$2.4 (4.7%) from FY16, the last two conference (PLA and AASL) year and increased by \$4.4M (9%) from prior year FY17, a one conference year. Actual FY17 revenues missed budget by \$1.2M (2.6%) and actual FY16 revenues met budget.

For the twelve-month FY18 period ending 8/31/18, total ALA operating expenses (before NS amortization) were \$53.4M, which was \$238k (0%) below budget. Total ALA FY18 expenses were \$2.5M (-5.0%) less than Total FY16 expenses, the most recent two conference year. Total FY18 expenses were likewise \$2.5M lower than FY17 expenses. Total ALA operating expenses in FY17 were flat compared to FY16 and FY15.

FY18 Net expense from operations for the Association overall was -\$210k versus a budgeted net expense of -\$1.9M, a positive variance from budget of \$1.7M (89%.) This was a slightly larger net expense than that of FY16 of -\$40k, the last two conference year. FY17 saw a net operating expense of -\$2.1M.

ALA FY 2019 – Three Month Financials as of November 30, 2018 (BARC #14.1/EBD #14.1)

ALA realized revenues for the Q1 FY 2019 (3-month period) ending November 30th of \$9.1M, exceeding budget by 2.8%. While this was lower than Q1 FY18 revenues by \$1.5M, it exceeded Q1 FY17 revenues, the most recent single conference fiscal year, of \$8.3M by \$780k, an increase of 9.4%. This was primarily due to growth in Round Table, Grant, and Endowment revenues from FY17. Within Total ALA revenues, the General Fund missed projections by 3.7% (vs. 8% in FY18) while all other areas met or exceeded projections.

ALA expenses for Q1 FY19 were \$11M, which were right on budget. Expenses were lower than budgeted for the three-month period for the General Fund, Divisions, Round Tables, and Endowment due to later expenditures than anticipated (i.e. timing) or conservative budgeting, particularly in the case of Round Tables.

Overall, ALA realized a net expense (or excess of expenses over revenues) of \$1.9M for the first 3 months of FY 2019. This represented a smaller net expense than the budgeted \$2.3M net expense by \$345k (15% better than budget) for the period.

Three-Year Investment Plan Update (BARC #4.9/EBD #4.9)

Updates on progress of the Investment Plan were discussed including financial and initial results. DelCor representatives provided an overview of the progress of the IT review. In addition, the committees discussed the need to develop metrics to assess goal achievement.

Endowment Trustees Report (BARC #13.1/EBD #13.1)

Rod Hersberger, Senior Trustee, presented endowment portfolio results and strategic review outcomes. In addition, the committees discussed investments in environmental, social, and corporate governance (ESG) investing noting that the endowment is 28.4% ESG. Additionally, that only 1.7% of the portfolio was invested in energy related holding with about 60% of that total in fossil fuels. The trustees are committed to evaluating and increasing ESG investments where necessary and appropriate.

F&A Auditor Meeting

FY 2018 Audit Report – Muller & Co., LLP presented the audit results related to the fiscal year 2018 - Audit Results (EBD #3.8), Single Audit Results EBD #3.5) and Required Communications EBD #3.6). 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. As a result, the following action was taken:

Action Item:

F&A recommends to the Executive Board acceptance of the FY 2018 audit reports (EBD #3.8, #3.5, and #3.6) as presented by Mueller & Co., LLP.

Auditor Evaluation (CBD#22)

The committee met in closed session to discuss the performance and relationship with the auditing firm Muller & Co., LLP. As a result of those discussion the following action was taken:

Action Item:

F&A concurs with staff and recommends to the Executive Board approval to begin negotiations for a 3-year extension of auditing services with Muller & Co. LLP.

Future Actions:

BARC and F&A will work with the Finance Office to form a workgroup to develop metrics to assess the Three-Year Investment Plan. BARC and F&A will also hold an informational conference call to discuss Midwinter Conference proposals and financial impacts. The next meetings will be F&A April 4 and BARC April 8-9.

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.

Respectfully submitted:

BARC

Maggie Farrell, Chair

Carl Harvey

Peter Hepburn

Karen Downing

Brett Bonfield

Rhea Lawson

Trevor Dawes (absent)

Steven Potter (absent)

F & A

Susan Hildreth, Treasurer

Andrew Pace

Ed Garcia

Maria McCauley

