ALA-APA Treasurer Hepburn & ALA-BARC Chair Schneider called the ALA-APA BARC/F&A meeting to order.

**APA Executive Director Report, APABD #12.1**

AED Lorelle Swader provided the following updates:
- Certification Program Review Committee has upcoming meeting this fall, so there has not been significant recent activity
  - CPLA: 345 enrollees and 119 graduates
  - LLSC: 752 enrollees and 269 graduates
- Working with President-elect Drabinski to make committee appointments
- National Library Workers Day will be on April 25th, 2023

**FY22 YTD Financial Results, APABD #3.1**

APA Treasurer Hepburn provided the following updates:
- *Library Work Life* is coming in at a deficit, which reflects the overall decrease in ALA membership numbers
- Significant expense savings in payroll and outside services
- Net results of $31,676, which is significantly better than budgeted
- Slightly under on donations. Treasurer Hepburn encouraged members to donate

**FY23 Final Budget, APABD #3.2.1**

APA Treasurer Hepburn noted that revenues and expenses are slightly increased for FY23 but still represent a $24,000 surplus.

APA Treasurer Hepburn moved that ALA-APA BARC recommends to the ALA-APA F&A Subcommittee & Executive Board approval of the final FY23 budget and annual estimated income of $411,446 as reflected in APABD #3.2.1.

**APPROVED** that ALA-APA BARC recommends to the ALA-APA F&A Subcommittee Executive Board approval of the final FY23 budget and annual estimated income of $411,446 as reflected in APABD #3.2.1.

F&A Member Dallas moved that ALA-APA F&A Subcommittee recommends that ALA-APA Executive Board approval of the final FY23 budget and annual estimated income of $411,446 as reflected in APABD #3.2.1.

**APPROVED** F&A recommends to ALA-APA Executive Board approval of the final FY23 budget and annual estimated income of $411,446 as reflected in APABD #3.2.1.

The ALA-APA BARC/F&A Session was adjourned.
BARC Chair Karen Schneider and ALA Treasurer Peter Hepburn called the ALA BARC/F&A Meeting to order at 11:30 am.

APPROVED by CONSENT:
- BARC/F&A Agenda, BARC/EBD #3.0
- Minutes from the 2022 Annual Meeting, BARC/EBD #3.4
- Reports:
  - CE Update, Conference Services, Publishing & Media, Membership (within EBD #12.1)
  - Controller’s Report, EBD/BARC #3.5

Executive Director Update, EBD #12.1
ED Tracie Hall provided the following updates:
- Pivot Strategy update:
  - Membership:
    - Added a key position to focus on growth, recruitment, and retention
    - President-elect Drabinski made membership an area of focus
    - 2.9% increase in overall membership, which is much better than expected loss
    - Goal to move from current 15% to 20% of market share
    - 60-65% are Division members and want to see that grow
  - Conference Services:
    - First in person LLX in January, hoping to grow value proposition but with reduced footprint
    - Annual Conference: curated public expansion down the road
  - Publishing: Success with Booklist Reader digitally and first print edition coming up
  - Continuing Education (CE): Driver of new customer conversion to members, and already seen some movement since launch
  - Contributed Revenue:
    - Working with Alford Group on Feasibility Campaign around 150th Anniversary
    - Target of 18% revenue coming from Contributed Revenue
  - Data, Research & Design: Plan to launch this year and hire Center for Future of Libraries Director
- Tactical Goals
  - Maintained 8 Divisions, and RUSA will end in black
  - Focus on “One ALA” culture
  - Realignment of IT
  - Conducted Benchmark Study, and extended ASAE membership to all staff
  - Looking at expansion of ALA Exhibits while keeping within budget, without jeopardizing financial recovery
  - Membership is moving back toward 52,000
  - CE growing and partnering with other groups, such as Music Library Association
  - LLX providing basis for launch of ALA Governance Institute
  - First Core Forum was successful and exceeded attendance target by 10%, and all Divisions overall are meeting attendance goals with symposiums and/or conferences
CFO Tsourdinis also noted that ALA is likely eligible for a property tax exemption, which will require significant paperwork, but if approved, could result in a savings of $75,000/year

**Endowment Trustees Report, EBD/BARC #13.0**
Senior Trustee Mario Gonzalez provided the following updates:

- As of August 31, 2022, market value at $55.9 million and book value at $11.2 million
- Environmental, Social & Government (ESG) and Diversity funds now reflect 60% of the endowment portfolio, with due diligence to avoid funds that are “green-washed,” which means funds labelling themselves ESG/Diversity but are not in practice
- July showed an improvement at beginning of the calendar year, but market is going down again, reflecting turbulence since last February
- Strong U.S. labor market with only 3.2% percent unemployment is likely preventing a recession
- Challenges:
  - War in Ukraine
  - Inflation
  - Fed raised interest rates twice and expecting another 0.75% increase to reduce inflation
  - Oil and gasoline prices have dropped, and U.S. is faring much better than Europe
  - Uncertainty around outcome of the mid-term elections
- Major Indices: S&P is about 20% lower, and all other indices are lower. ALA endowment continues to fare better than the average major indices. 
- Trustee activities:
  - For best business practices, reviewed proposals for financial advisor, and trustees will interview four prospects at the November in-person meeting
  - Provided an orientation to Treasurer Hepburn
  - Finalizing revised Investment Policy Statement

CFO Dina Tsourdinis provided the following financial reports:

**FY22 3rd Quarter Financial Results, EBD #3.1-3.1a**

- Surplus revenue of $32.9 million; in comparison to FY21, revenues are greater by $4.5 million
- Overall net revenue is $4.5 million ahead of the end of 3rd Quarter FY21
- In comparison to FY20, net revenue ahead by $0.6 million while expenses are down by $8 million
- Current net revenue of $8.6 million better than 3rd Quarter FY20
- Expenses total $30.5 million, noting that general fund has increased expenses due to the Mellon Grant, which was a multi-year grant in FY21
- Divisions: revenues below projection by $750,000 but expenses closely monitored, for a net surplus of $1.5 million
- Round Tables realized both revenues and expenses under budget, with net surplus of $273,000
- Schedule of loans and transfers as of August 31, 2022:
  - Current aggregate balance of $7.1 million represents $1.5 million decrease from one year prior
  - ALA received forgiveness of paycheck protection loans totaling $6.2 million
- Finance staff implemented an accelerated process to catch up on reporting, and currently Finance is closing the 1st Quarter of FY23
- The audit will begin in November
FY23 Final Budget, EBD #3.2-2a

Budget assumptions:
- 3% staff salary increase as of January 1, 2023
- No furlough dates for staff
- Overhead rate of 26.5%
- Freeze of net asset balances to the endowment
- Approved 5% endowment payout for all units and Divisions with endowments

Budget:
- Net revenue from operations total $50,000
- Additional $130,000 in revenue from interest income and other sources offset by $121,000 in personnel costs and additional positions. The resulting net surplus is $59,000
- Net assets projected for the end of FY22 at $65.2 million and FY23 budgeted revenues is $50.2 million, for an annual estimates of income of $115,388,000
- Overall, the final FY23 budget results in revenues of $49.5 million and expenses of $49.4 million
- Capital budget totals $2.65 million, much of which is IT critical infrastructure including new laptops and other updated equipment needed for ensured security

CFO Tsourdinis also reported that ALA is eligible for the Employee Retention Credit (ERC), one of the federal packages for non-profit organizations. Our benefits were calculated between $2.8 million and $3 million, which ALA should receive after completing the required paperwork.

BARC/F&A discussed the sources of Round Tables expenses, and AED Walling noted she would follow-up with that answer.

BARC Member Sica moved that BARC recommends to F&A and Executive Board approval of the ALA Final FY23 budget and annual estimates of income of $115,388,000 as presented in EBD #3.2.

APPROVED that BARC recommends to F&A and Executive Board approval of the ALA Final FY23 budget and annual estimates of income of $115,388,000 as presented in EBD #3.2.

F&A Member Neal moved that F&A approve and recommends to Executive Board approval of the ALA Final FY23 budget and annual estimates of income of $115,388,000 as presented in EBD #3.2.

APPROVED that F&A approve and recommends to Executive Board approval of the ALA Final FY23 budget and annual estimates of income of $115,388,000 as presented in EBD #3.2.

ALA Five-Year Financial Plan, EBD #3.3

Assumptions:
- Ongoing 3% staff salary increase
- Planned deficits of $763,000 in FY24 and $600,000 in FY25, with projected surpluses in FY26 and FY27
- Additional net revenue derived from the revenue campaigns in later years
- Illustrates the shift in revenue streams according to pivot plan over the next few years

ED Hall noted the plan reflects if there are no interventions and maintaining focus on membership and revenue growth. Projected expenses are anticipated as higher than anticipated and revenues projected more conservatively.
FY24 preliminary budget assumptions:
- Overhead rate will remain at 26.5% and grant rate will be 27.73%
- Endowment spending rate will be 5%, pending approval
- Salary increase as of January 1, 2024 will be 3%

BARC/F&A discussed if the salary increase is appropriate for inflation and standard for nonprofit field, as well as the endowment payout.

ALA Retirement Audit Plan, EBD #3.6
Director of Financial Reporting & Compliance Denise Moritz noted that an unmodified opinion was issued by the auditor and there were no findings.

F&A Member Booker moved that F&A recommends that the Executive Board accepts the retirement plan audit as issued by P.K.F. Mueller, EBD #3.6

APPROVED that F&A recommends that the Executive Board accepts the retirement plan audit as issued by P.K.F. Mueller, EBD #3.6

BARC Feedback on Membership Meetings, BARC #3.9
Chair Schneider noted that BARC needs to consider CD #59, referred from Annual Conference 2022. The document was shared, along with background provided by staff in BARC #3.9. AED Melissa Walling noted the following highlights:
- Resolution originated at Membership Meeting and moved to Council
- There have been two membership meetings: one virtual in Spring and another in-person at Annual
- A voting tool would be needed to provide for any membership meeting, including hybrid. This is estimated at $1,200
- The biggest resource requirement would be the additional staff time needed to prepare and support for a hybrid meeting, likely 10 staff

BARC/F&A discussed member feedback on the hybrid model, investment into the resource for members, membership engagement, and conference registration requirements.

BARC will continue discussion via Connect community, as well as schedule a meeting to finalize and provide a recommendation to Council by mid-December.

Operating Agreement Workgroup (OAWG) Update, EBD #3.10
Treasurer Maggie Farrell and Andrew Pace, Co-Chairs, referred to their written report. If BARC has any feedback, please provide to the co-chairs. There is also a feedback session on November 3.

BARC, F&A, and Board approved the workgroup’s recommendations at Annual Conference, and on the recommendation of the Board Executive Committee, the policy was referred to the Committee on Organization for further feedback and discussion with Divisions, staff, and the Council itself to inform a vote Council’s January meeting.

The Executive Board has authorized an internal operations workgroup and an implementation workgroup to continue this work.
BARC Member Lehner noted ongoing concerns:
- Removing the net asset balances for Divisions could result in potential loss of incentive
- Provision concerning Division endowments, specifically a commitment should be clarified to return the substantial investments in Long Term Investments that some Divisions have made. Policy should include a statement that ALA will commit to a clear set of standards for budget allocations to Divisions
- Statement regarding Divisions that are not fiscally viable will have 3-5 years to reach stability; five years seems too long to establish viability

Co-Chair Pace noted that some of those concerns will be addressed in the operations and implementation workgroups.

CFO Tsourdinis noted an intention to include a statement that ALA will adhere to generally accepted accounting principles.

BARC/F&A Meeting adjourned.