

**TO:** ALA Executive Board

**DATE:** October 18, 2022

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

**ACTION REQUESTED/INFORMATION/REPORT:**

- Approval of ALA final FY2023 Budget
- Approval of the Retirement Plan audit as issued by PKF Mueller

**ACTION REQUESTED BY:**

BARC and F&A

**CONTACTS:**

Karen Schneider, BARC Chair, [kgs@freerangelibrarian.com](mailto:kgs@freerangelibrarian.com), 510-207-5576

Peter Hepburn, ALA Treasurer and F&A Chair, [peter.hepburn@canyons.edu](mailto:peter.hepburn@canyons.edu), 661.362.3758

**DRAFT OF MOTIONS:**

1. Approve the ALA final FY2023 budget and annual estimates of income of \$115,388,000 as presented in EBD #3.2
2. Approve the Retirement Plan audit as issued by PKF Mueller and as presented in EBD #3.7

**BACKGROUND:**

Members of the ALA Budget Analysis and Review Committee (BARC) and the Finance and Audit Subcommittee (F&A) held a joint meeting on Monday, October 17, 2022, to discuss and review several financial issues. We are pleased to report to the Executive Board on our activities. Below is a list of the primary topics discussed:

- FY 2022 Year-to-Date Financial Results *EBD #3.1, 3.1a*
- FY 2023 Final Budget *EBD#3.2, 3.2a*
- FY 2024 Budget Considerations
- Executive Director Report *EBD #12.1*
- 5–Year Plan Draft *EBD #3.3*
- Director of Financial Reporting and Compliance Report *EBD #3.6*
- Endowment Trustees’ Report *EBD #13.0*
- Operating Agreement *BARC #3.10*
- Feedback on Membership Meetings (referral from Council) *BARC #3.9*

## **DETAILED ACTION ITEMS:**

### **ALA Final FY2023 Budget**

BARC and F&A reviewed the final iteration of the FY2023 budget and annual estimates of income, EBD #3.2. The committees acknowledge that forecasts are based on somewhat soft data as the Finance Office continues its efforts to close the gap on reporting. The budget currently shows a \$59,000 surplus. Certain assumptions were built into the budget:

- A staff salary increase of 3.0%, effective January 1, 2023
- No furlough days
- A continued overhead rate of 26.5%
- A freeze of net asset balance transfers to the Endowment
- A 5% endowment payout for units and divisions with endowments

The budget also outlines FY2023 capital requests and the annual estimates of income of \$115,388,000. BARC and F&A approved the final budget.

### **Retirement Plan Audit**

Finance staff presented the audit report by the firm PKF Mueller for the year 2021, EBD #3.7. Discussion was brief as there were no findings by the firm. The result was a clean audit. F&A approved acceptance of the audit report.

## **DETAILED INFORMATIONAL ITEMS:**

### **ALA FY2022 YTD Financial Review**

ALA realized revenues for the first three quarters of FY 2022 of \$32.95M, higher than FY 2021 revenues by \$4.52M and higher than FY 2020 revenues, the most recent two-conference fiscal year, by \$663k. Within Total ALA revenues, the General Fund, Round Tables, Grants and Awards and the Endowment Fund surpassed budget while divisions missed budget by 2.4%. BARC and F&A acknowledge that there continues to be a gap between the data and the present day. The Finance Office team merits recognition and thanks for their efforts to close that gap, as well as encouragement to continue that work.

ALA expenses for the nine-month period were \$30.54M, lower than budget by \$2.23M. Expenses are essentially flat by comparison to the same point in FY 2021, and \$7.97M lower than in FY 2020. For the same period in FY 2021, total ALA expenses were higher than budget by \$35k. While the General Fund, Divisions, Round Tables, and the Endowment saw expenses lower than budget for the 3rd quarter of FY 2022, Grants and Awards (-0.6% unfavorable) had expenses higher than budget.

Overall, ALA is reporting a surplus of \$2.41M for the 3rd quarter of 2022, representing a budget variance to the positive of \$5.01M. Detailed commentary for the General Fund, Divisions, and Round Tables is available in EBD #3.1a.

### **Operating Agreement**

Co-chairs of the former Operating Agreement Work Group Maggie Farrell and Andrew Pace updated BARC and F&A on actions taken since the delivery of their report to the Executive Board at ALA Annual 2022. Since then, the development of policy related to the operating agreement was delegated to the Committee on Organization, which Pace currently chairs. They also reported on the formation of an implementation work group to look at budgeting practices and a work group for staff processes formed from staff only. Hepburn updated all that he and ALA CFO Dina Tsourdinis are co-chairing the budget work group, but that the work has effectively not yet begun. Hepburn and Tsourdinis will work toward having substantive results in place in time for Pace and Farrell to report to Council in January 2023. BARC and F&A members offered some feedback on the report and on the work still underway.

**Feedback on Membership Meetings**

At ALA Annual 2022, Council referred to BARC a resolution regarding making all membership meetings accessible through virtual means to determine any financial impact. Membership Director Melissa Walling shared with BARC and F&A members a document that explored options for participation as well as the costs of each model. BARC members discussed the options without coming to consensus. Further discussion will take place at an upcoming meeting with a view toward sharing findings with Council well in advance of its meetings in January 2023.

**ACKNOWLEDGMENT**

BARC and F&A commend the Finance Office for continued improvements in report information and timely delivery. The following finance staff contributed to a successful meeting: Dina Tsourdinis, Denise Moritz, Keith Brown, Brad Geene, and Joanne Lee. Thanks also to Holly Robison from the Governance Office for ensuring smooth online proceedings.

**Respectfully submitted:**

**BARC** Karen Schneider, Chair  
Tamika Barnes  
Ana Elisa de Campo Salles  
Peter Hepburn  
John Lehner  
Rodney Lippard  
Kevin Reynolds  
Alexandra Rivera  
Deb Sica

**F&A** Peter Hepburn, Chair  
Libré Booker  
Sara Dallas  
Larry Neal  
Karen Schneider