

**Budget Analysis and Review Committee
Report to the Executive Board
2013 Annual Conference
Chicago, IL
October 26, 2013**

The information below represents the report of the Budget Analysis and Review Committee (BARC) on its activities since the Annual Conference in Chicago, IL. In the course of addressing the business issues facing the Association, the Committee discussed a wide range of topics, which included:

- BARC Member Orientation
 - FY 2013 Budget Review– BARC #5, #5.1
 - FY 2014 Final Budget – BARC #25
 - Changes since Annual Conference
 - Approval of Budgetary Ceilings
- Action Item**
- Future of BARC Financial Learning Series
 - Webcasts/Webinars
 - Understanding ALA Performance Reports
 - PBA and BARC/Division Leaders Meeting
 - PBA Purpose
 - PBA Agenda
- Action item**
- New Business Development

BARC Member Orientation

Five new members to the committee – Mario Gonzalez, Christine Hage, Anne Martin, John Moorman and Jo Ann Pinder - were welcomed and the committee reviewed a detailed synopsis of its purpose, how it fits within the organization, how it operates, important relationships (Council, Executive Board, Divisions, etc.), each member's responsibilities and some of the best practices used for liaison success. Prior to the meeting all the committee members were asked to review the BARC webinars that were developed together to educate the membership and member leaders. The Chair, the Treasurer and the Associate Executive Director (AED) of Finance each took the opportunity to describe specific operational

functions that are important to understanding BARC's financial role. Additionally, they clarified the important roles played by BARC and the Finance & Audit Committee (F&A), the distinction between each and how they interact with one another i.e. BARC monitors the budget and makes recommendations to F&A. Also, as part of the orientation members were asked to set up and attend private meetings with their assigned liaisons in order to get a better understanding how each unit works and the issues they face on a day to day basis. Later in the meeting, BARC members reported out to the full committee on their staff visits.

FY 2013 Budget Review: 3rd Close Results – BARC #5 and #5.1

Greg Calloway provided the committee with a review of the financial results based on the twelve months ending August 31, 2013.

Total ALA: Total ALA revenues for the period were \$49.8 million, which is (-5.5%) or \$2.9 million less than the budget of \$52.6 million, which compares to \$49.3 million last year. The shortfall was primarily a result of lower revenues in the General Fund, which was under budget by \$3.0 million (-9.5%) at \$28.6 million. Also contributing was lower interest income from the long-term investment fund, which was less than the budget of \$839,955 by \$318,791 (-38.0%) at \$521,164.

Total ALA expenses for the period were \$49.5 million, which is (-8.2%) or \$4.4 million less than the budget of \$54.0 million, which compares to \$49.4 million last year. Significant cost savings were realized in the General Fund (\$3.0 million) at \$28.3 million and the Divisions (\$1.6 million) at \$13.6 million.

On an overall basis the net result was excess revenues over expenses for a gain of \$223,199 compared to a budgeted net loss of \$1.3 million.

General Fund Revenues – As stated earlier General Fund revenues for the period were less than budget by \$3.0 million (-9.5%), totaling \$28.6 million. Most of the shortfall was related to Publishing Services, which was less than budget by \$2.8 million (-17.6%) at \$12.9 million. Analyzing Publishing Services reveals that ALA Editions/TechSource accounted for most of the shortfall with revenues of \$5.0 million, which was less than budget by \$2.2 million (-30.9%). This was due primarily to lower than expected book sales for professional development and text books in Neal Schuman. Expected sales in these areas for July and August did not materialize. Huron Street Press reported lower than expected revenues of \$52,226 while expenses were higher than expected at \$203,309. Also contributing to the shortfall was lower revenue from Digital Reference of \$558,467 (-44.6%), due to

the late standard acceptance by the Library of Congress (March 2013) and Graphics of \$247,210 (-19.0%) due to a slow start at the beginning of the fiscal year.

On the plus side ALA TechSource reported revenues of \$938,114 on a budget of \$696,677 and was over budget by \$241,437 (34.7%). Also offsetting this lower revenue were positive results in American Libraries and Booklist. American Libraries reported revenue of \$694,735 or \$108,701 (13.9%) or more than budget of \$781,800 due to strong advertising in all categories. Booklist reported revenue of \$5.2 million or \$192,503 (3.8%) more than budget of \$5.1 million due to strong summer sales and year end accounting adjustments.

General Fund Operating Expenses - General Fund operating expenses for the period were \$28.3 million, which was less than budget by \$3.0 million (-9.6%). As revenue did not materialize certain expenses were not incurred primarily in Publishing Services. Publishing Services reported expenses of \$12.4 million or \$1.9 million (-13.0%) less than budget of \$14.2 million. Two areas accounted for most of the savings – ALA Editions/TechSource and Booklist. ALA Editions/TechSource realized the most significant cost savings with expenses of \$5.5 million, which was \$1.3 million (-18.6%) less than budget. Expenses in Booklist were \$3.8 million, which is \$326,698 (-7.9%) less than budget due to adjustments in manufacturing, i.e. printing, binding, prepress etc. related to lower revenue expectations. Digital Reference and Graphics were also less than budget by \$188,618 (-13.3%) and \$183,384 (-15.5%), respectively.

The result was an excess of revenues over expenses for a gain of \$296,773. It was noted however, that the goodwill analysis¹ on Neal Schuman was yet to be completed and the results could have a negative impacted on the Association's net assets. The committee commends ALA staff and leadership for the cost-cutting measures they undertook when a projected deficit was recognized early in the fiscal year.

Finally, the committee wanted to acknowledge the hard work and effort provided by the accounting staff in processing/examining/analyzing the financial transactions in preparation for this meeting and the year-end audit, which will begin November 4th. The information provided in the reports has been timely and essential in helping the committee make decisions and conduct its business.

¹ An analysis of the current value of the Neal-Schuman vs. its book value

FY 2014 Budget Update – BARC #25

Greg Calloway highlighted for the committee changes to the FY 2014 budget since the Annual Conference. It was noted that the economy is still in flux and that the library community is expected to continue experiencing negative impacts for the foreseeable future. Additionally, in view of the FY 2013 year-end results revenue expectations FY 2014 are conservative. As a result, management made several modest adjustments to the budget since the spring meeting. Some of the changes include:

- Incorporated approved grants received after the spring meeting
- Incorporated modest changes in several Divisions

After a discussion of the budget changes the following actions were taken:

BARC recommends to the Executive Board approval of the final FY 2014 total ALA budget as outlined in 2013-14 BARC #25 (2013-14 EBD #14.2).

BARC further recommends to the Executive Board that if FY 2014 budget results are better than anticipated, staff compensation be given the first priority.

It was noted that the finance department will be examining the current budget process which results in a final approval after the fiscal year has started. It will be the goal to have the final approvals at the Annual Conference vs. the fall meeting. The new financial reporting systems should help in this effort.

ALA Finance Best Practices/BARC Webinars

Keith Brown led a discussion on the latest effort to provide additional education materials to the membership to better understand ALA's finances. Attention focused on a new guide: "*How to Read the ALA Performance Report.*" Round Table member leaders and their staff liaisons notified the committee of their desire for more information on understanding ALA finances beyond the current webinars on the Treasurer's page. As a result of a number of meetings with member leaders, it was determined that there was a lack of understanding of ALA's internal financial (performance) reports, which are shared with staff monthly or upon request. The committee reviewed the latest guide which gives a step by step review of the monthly performance report and all its components. After some discussion it was felt that the document would go a long way toward alleviating some of the

anxiety related to understanding how a particular unit is performing. This document will now be shared with the Round Table staff liaisons and Round Table member leaders, then the entire ALA staff. It will eventually be placed on the Treasurer's web page under the education section.

Planning and Budget Assembly (PBA) Agenda/Meetings

Patricia Wand led a discussion on the current status of the Planning and Budget Assembly (PBA) and Division/BARC meetings. The agendas for the PBA and BARC/Division Leadership meetings for the last ten years were reviewed for the content that was covered. It was noted that the PBA is a meeting traditionally convened by the President-Elects with a review of their Presidential year initiatives as a component of the agenda.

The committee reviewed the charge to PBA and the timeline for developing of budget. It was recognized that the two annual schedules are not well aligned. As such, the planning portion of PBA is out of synch with ALA planning cycles. Despite this it was noted that there have been some valuable successes resulting from PBA discussions in terms of ideas being carried forward into the budget. The committee wants to encourage as much discussion and interaction at PBA as possible, particularly on any identified topics. It was felt that PBA should review strategic issues facing the Association and discuss how best to use and allocate resources.

For this Midwinter Meeting BARC recommends the PBA session be convened by the Treasurer and the President-Elect and be scheduled for one hour. The initial agenda will be as follows:

- Review FY 2013 Results
- Review FY 2014 Budget
- Review FY 2015 Budget Assumptions
- Treasurer's Report
- Seek suggestions about how the Assembly can be more effective in meeting its charge
- Request reactions by attendees to the shorter timeframe and other changes

BARC/Division Leaders Agenda/Meetings

The BARC/Division Leadership meeting is mandated by the ALA Operating Agreement and generally covers specific topics generated by the Divisions and or

BARC. It was noted that many of the sessions in the past centered on indirect costs and the annual indirect cost study. There was recognition that the Divisions want to play a positive role in shaping the future success of the ALA in conjunction with the General Fund. Reviewing and analyzing current results with corrective action such as in FY13 seemed to be important to the Divisions.

One of the recommendations of the discussion was to reduce the time allocated for BARC/Division Leaders to one-half hour immediately following the one-hour meeting of PBA.

As the discussion concluded the following actions were taken:

BARC recommends to the ALA Executive Board that the Planning & Budget Assembly meet for one hour during Midwinter Meetings and discuss how the Assembly can be more effective in meeting its charge and addressing the financial issues of ALA. BARC will meet with Division leaders for 30 minutes immediately following the PBA.

BARC recommends to the ALA Executive Board that the PBA agenda for 2014 MW includes FY 2013 results, FY 2014 budget, FY 2015 budget assumptions, treasurer report, with questions/discussion.

New Business Development

Mary MacKay and Keith Fiels addressed the committee on the status of efforts in area of the new business development. The committee has been reviewing its full range of marketing products and current/potential customers. E-Learning is an area of emphasis, particularly in the international market. E-commerce has generated over \$2.0 million over the last two years. As a result, e-commerce and the implementation of the e-commerce software module are important. Additionally, a tracking function is being strongly considered in order to help users keep track of their various e-learning efforts.

RDA is also providing an excellent opportunity for new development on the international front. Currently 32% of all new RDA subscriptions are coming from international customers. ALA has name recognition and a high standing in the international community. Work is being done to create a website that is more user friendly and easily searchable and interactive. A special mention was made regarding the planned participation of ALA in the Sharjah International Book Fair (SIBF). This is a ten-day event held annually in the United Arab Emirates. The SIBF started in 1982 under the continued guidance and patronage of His Highness

Dr. Sheikh Sultan bin Mohamed Al-Qasimi, the UAE Supreme Council Member and Ruler of Sharjah. The SIBF will cover the expenses of four ALA staffers to attend and explore opportunities for ALA in future SIBA events.

Acknowledgement

The BARC committee would like to thank the Finance staff, Greg Calloway, Keith Brown and Elaine Klimek for their outstanding efforts and support in preparing this committee for the work that it addressed during these meetings.

Respectfully submitted,

Patricia Wand, Chair
Mario Gonzalez, ALA Treasurer
Christine Hage
Anne Martin
John Moorman
Jim Neal – via conference call
Jo Ann Pinder
Winston Tabb
Janice Welburn - Absent

