

YALSA Board of Directors Meeting
ALA Annual Conference, Orlando
June 24 – 28, 2016

Topic: Using Endowment Interest to Build Capacity

Background: It is Board practice to annually revisit the Endowments to determine how best interest from those funds can be used to support YALSA’s mission and its members. Linda Braun and Beth Yoke have provided the information below to the Board for their consideration. On May 26th YALSA’s Board voted to approve this request. Including the item as a part of this meeting simply ensures it will be entered into the official record of the association.

Action Required: Consent

Purpose of Endowments

- **Edwards Trust:** as per Edwards’ will, the Trust funds are for “the purpose of promoting the free reading of teenagers and young adults and the final decisions in this matter are to rest with my Trustees. I suggest such projects as billboards, newspaper ads, work in the streets of underprivileged neighborhoods, possibly a reading clinic, or whatever will promote reading for the enjoyment and enrichment of teenagers and young adults. I would like to see experimentation made with various approaches but I leave such decisions with the Trustees. If some project or projects seems likely to make a lasting contribution to the enrichment of youth through reading, the Trustees, in their sole and absolute discretion, can invest the entire principal of the trust in such project or projects.”
- **Leadership Endowment:** to support specific leadership development initiatives such as scholarships, fellowships and awards, mentoring programs, leadership institutes, travel and workshop grants, etc.
- **Morris Endowment:** as per the terms of the endowment, net income and net appreciation of the Fund are to be used ... “for the purpose of funding programs, publications, events or awards in promotion of young adult literature.”

Interest from Endowments

- FY15: \$54,383 (this is the first fiscal year that includes the Edwards Trust)
- FY14: \$25,325
- FY13: \$22,258

Fund Use in 2015

- **Edwards Trust:** Support of three awards - MAE, Alex, Edwards (\$7200), support of work related to the Futures Report through grants to members (\$25,000), marketing of literature based activities that the Trust supports (\$2,000)

- **Leadership:** use \$1,000 towards the Dorothy Broderick Student Conference Scholarship and invest the remaining \$1,392 back into the endowment in order to build capital to support the proposed PhD Fellowship
- **Morris:** the \$29,000 worth of interest be used for: Symposium travel stipends (\$2000), conference expenses (Coffee Klatch and Morris/NF event - \$6000), Great Books Giveaway Shipping (\$2500), and marketing and support related to selected lists. (\$19,000)

Recommended Fund Use in 2016

- **Edwards Trust:** instead of spending the interest in 2016, invest all but the \$7,200 that supports MAE, Alex and Edwards awards back into the principal in order to build it up further for use beginning in FY17 to support a new part time position, which will support the work of literacy related activities, such as the book and media awards.
- **Morris:** Symposium travel stipends (\$2000), conference expenses (Coffee Klatch and Morris/NF event - \$6000), Great Books Giveaway Shipping (\$2500), and reinvesting funds into the principal. (\$19,000)
- **Leadership:** continue to use \$1,000 towards the Dorothy Broderick Student Conference Scholarship and invest the remaining interest back into the endowment in order to build capital to support future leadership activities such as the proposed PhD Fellowship.

Total recommended \$ for reinvestment = approximately \$47,000

Total recommended \$ to support 2016 YALSA initiatives = approximately \$18,700

Rationale:

- As the Board continues to work on the key activities and initiatives of the new organizational plan, it is clear that YALSA needs to revisit its staffing model in order to increase capacity to support the plan's implementation. Leveraging endowment interest is one immediate opportunity the Board has at its disposal in order to achieve this.
- By adding a .5 position, low level tasks such as unpacking and shelving books, that are currently being performed by highly trained staff can be passed on to the part time position, freeing experienced staff up to handle some of the more demanding tasks as outlined in the organizational plan, such as implementing a train the trainer effort, supporting funder and partner development, and planning leadership development events.
- Ongoing support of the Dorothy Broderick scholarship shows YALSA's commitment to its student members and will help in developing professionals who may later serve in YALSA leadership positions.
- Investing some of the Leadership Endowment interest back into the principal will help build YALSA's capacity to support leadership initiatives, which were identified as one of YALSA's six key areas of focus in its strategic plan

Recommended Board Actions:

Recommendation 1: The Board agrees to use FY16 interest from the Leadership Endowment as outlined above and directs the Executive Director to work with staff to appropriately direct funds.

Recommendation 2: The Board agrees to use a portion of the Edwards Trust interest to support book awards, as outlined above, and to reinvest the remainder of the FY16 interest from YALSA's Edwards Trust into the principal and directs the Executive Director to work with ALA Finance to carry out this request.

Recommendation 3: The Board agrees to use a portion of the Morris Endowment interest to support the symposium travel stipends, literature events and Great Books Giveaway, as outlined above; and to reinvest the remaining interest from the Morris Endowment into the principal, and directs the Executive Director to work with staff to appropriately direct funds.

Recommendation 4: The Board agrees to support the creation of a new a part time position to expand YALSA's capacity in order to carry out the work as outlined in the organizational plan, and directs the Executive Director to include a proposal in the FY17 budget for this new position.

Financial Implications:

- Increased capacity to support initiatives aligned to the organizational plan.
- In the short-term, members will have one less grant opportunity, as Edwards Trust funds will not be used for grants in 2016.

Endowment Basics

- The average net asset balance of an endowment from the previous 20 quarters determines how much money a unit can use for their coming year's budget (the range is limited to 3 – 5%)
 - For FY15 the percentage is 5%
 - Can spend these funds during the fiscal year, or make a transfer at the end of the fiscal year
- Endowments are the only way that a Division earns interest on its monies
 - Divisions have a combined total of about \$13 million in their net asset balance; however, the interest from that goes to the ALA general fund, per the Operating Agreement

Related Resources

- Margaret Edwards Trust, <http://www.ala.org/yalsa/margaret-edwards-trust>
- Leadership Endowment, <http://www.ala.org/yalsa/givetoyalsa/leaderendow>
- Morris Endowment, <http://www.ala.org/yalsa/givetoyalsa/morris>