

2010-11 CD #13.1
(2011 ALA Midwinter Meeting)

To: ALA Councilors
ALA PBA Members
January 4, 2011

From: James Neal, ALA Treasurer

The American Library Association's fiscal year 2009-10 ended on August 31, 2010. In November and December our auditors, Grant Thornton, audited the consolidated statements of financial position (records) for the fiscal year ending on August 31, 2010 in accordance with auditing standards generally accepted in the United States. The audit also includes the results of the ALA-APA, as well as, the Federal government A-133 related to Federal grants. The auditors reported that there were no material weaknesses and issued an unqualified opinion – the best possible rating. Final adjustments to the audit are still underway. Once complete an official opinion will be rendered.

On December 20th, 2010 I had the pleasure of meeting with the ALA finance staff and the auditors to review the FY 2009-10 financial results and statements. We had a very open discussion and covered a number of financial issues and developments that are important to the Association.

Attached you will find a summary of the financial results for the FY 2010 including programmatic highlights. I will briefly review and highlight some of this information in my report to Council on Monday, January 10, 2011.

I look forward to seeing you in San Diego, CA. In the meantime, if you have any questions, please feel free to e-mail me at jneal@columbia.edu.

Thanks for your continued support.

American Library Association

Funding ALA's Mission and Goals

The Executive Board and Council at the 2009 Midwinter Meeting in Denver developed the FY 2010 budget within the context of an expanded list of programmatic priorities as approved. They were as follows:

- Diversity
- Equitable Access to Information and Library Services
- Education and Lifelong Learning
- Intellectual Freedom
- Advocacy for Libraries and the Profession
- Literacy
- Organizational Excellence

FY 2010 ALA entered the year understanding the implications of a faltering economy in FY 2009 on the status of libraries, librarians and the profession. The FY 2010 budget carried a 3% budget reduction in General Fund units which was implemented in the fall of 2009 and carried over into FY 2010. Management and staff were all on high alert for the need to make some mid-year budget adjustments if the economy continued to falter. By the time the six month results were in and analyzed it was clear that such adjustments would be necessary. The General Fund budget of \$28.1 million management projected a revenue shortfall of \$2.0 million. Most of the revenue shortfall was in Publishing (\$963,000) and Conferences (\$901,000). This shortfall was to be made up with a corresponding amount of expense reductions that included the following:

- Open Positions
- Publishing
- Travel
- Furlough Salary/Benefit Savings (2 weeks)
- Use of Reserves

Management and staff embraced the steps that were necessary to see the Association through a difficult situation as sacrifices were made across the entire Association. To the credit and hard work of management and staff, the plan for the mid-year adjustments were achieved. The General Fund ended the year with a minor loss of (\$8,027). In doing so there was no need to use the Board reserves or implement a second proposed furlough week. In fact, due to the year end results at management's recommendation, the Executive Board approved the reinstatement of the salary that staff did not receive due to the furlough week.

FY 2010 Financial Results

ALA's Financial Value Proposition

“To develop and deploy the financial resources that support the strategic plan and delivery of programs responsive to member needs and the improvement of library service.”

The FY 2010 budget represented the harsh reality of working in one of the worst economic environments facing libraries and the library profession in quite a few years. The shift in conditions was swift and unrelenting. The world wide economic recession, often called “The Great Recession,” forced government agencies at all levels, as well as, corporations and non-profit organizations to dramatically modify their spending due to significant reductions in tax revenue.

In spite of this difficult situation, ALA is still well positioned to tell the story of how the Association, libraries and librarians are and will continue to support the needs of society despite the challenges. Evidence suggests that increased advocacy and advocacy support at the national, state and local levels actually helped to reduce the severity of budget cuts on thousands of libraries.

The financial plan was developed as an outcome of the recession and carried a 3% budget reduction in General Fund units implemented in the fall of 2009 which carried over into FY 2010. The revenue assumptions were conservative and depended significantly on new product development including, enhancement and the marketing of current intellectual property. Additionally, the FY 2010 budget includes significant downward expense adjustments based on:

1. Changes in current business models.
2. Technology use.
3. Increased operating efficiencies.

Programmatic Highlights

- Successful national division conferences by AASL and PLA
- Successful ALA conferences in Boston and Washington, DC, which supported ALA programs by generating \$1.2 million in net revenue
- Spectrum Presidential Initiative moved closer its goal of \$1.0 million
- Washington Office hosted a number of webinars on advanced Advocacy training

- Received a \$2.0 million three year extension from the Bill & Melinda Gates Foundation to continue the Public Library & Technology Access Study
- ALA Connect is fully operational and moves into phase 2
- Online *Guide to Reference* fully operational
- Support for increased electronic participation by members in Annual conference and Midwinter meeting committee activities
- New support staff certification program implemented
- Major Gates grants to the Public Library Association (for advocacy training), to the Office of Research (for library funding study) Washington Office (for connectivity training) and Public Program office (for a variety of activities)
- Continued growth in online CE programs as provided by divisions and offices
- Continued support for increased electronic participation by members in Annual conference and Midwinter meeting committee activities

FY 2010 Financial Factoid

- ALA's net assets improved by \$3.1 million (11.8%) to \$29.7 million
- The revenue producing units Publishing and Meetings & Conferences contributed \$2.2 million in combined net revenue, essentially the same as in FY 2009.
- General Fund dues increased marginally by \$48,944 (0.8%) to \$5.9 million.
- Operationally - Total ALA revenues declined by \$1.7 million (-3.2%) to \$52.5 million, while total ALA expenses declined by \$3.3 million (-6.2%) to \$50.2 million.
- Long-term investments improved by \$1.8 million (6.8%) to \$28.8 million due to market performance related to the overweighting of fixed income securities.
- General Fund Net Asset Balance remained essentially the same at \$2.9 million

FY 2010 Financial Results

Summary of Operations - Total ALA (All Funds)

For the FY 2010 ALA generated total revenues of \$52.5 million, which is a decline of \$1.7 million (-3.2%) compared to FY2009. The biggest change was in Grants & Awards which declined by \$3.2 million (-27.2%) to \$8.6 million. This was due primarily to the lower number of grants & awards secured during the year compared to FY09. Also contributing were reductions in subscriptions (\$319,580) in Booklist/Booklinks, lower interest and dividends (\$291,580) resulting from declining interest rates during the year and other miscellaneous revenue (\$372,742), consisting primarily royalties. These declines were slightly offset by gains in meetings & conferences (\$2.1 million) resulting from the addition of the two national division conferences during the year compared to only one in FY09.

Total expenses for the year declined by \$2.9 million (-5.2%) to \$51.9 million with the most significant decline occurring in outside services of \$1.4 million or -15.8% as fewer contractors

were used as production activities in Publishing were adjusted to meet projected revenue forecasts, as well as, in ITTS. Closely related is a reduction in general operating expenses, which declined by \$904,308 or -16.0%, primarily in reduced mailing costs related to the administration of fewer grants. Expenses in Meetings & conferences also fell by \$418,923 or -5.8% as efforts were made to minimize these costs as much as possible in view of the depressed economic climate.

On an operating basis, net operating income was \$2.3 million. This is an improvement of \$1.6 million over FY 2009.

Statement of Financial Position - Total ALA (All Funds)

Total Assets

For fiscal 2010 the Association's total assets declined marginally by \$388,086 (-0.6%) to \$66.7 million. The major offsetting changes occurred in two areas - Grants Receivable and Long-Term Investments. Grants Receivable declined by \$2.5 million (-74.2%) to \$859,910 as a result of fewer grants during the year. On the other hand Long-Term Investments increased during the year by \$1.8 million as asset allocation into fixed income securities helped the portfolio. Property and Equipment increased by \$180,236 (1.3%) to \$13.9 million due to capital purchases related to upgrading the ITTS department's technical capabilities, in addition to furniture and fixture related to the Choice property purchase.

Total Liabilities

Total liabilities for the year declined by \$3.5 million (-8.6%) to \$37.0 million. The major change occurred in deferred revenue, which declined by \$3.3 million (22.4%) to \$11.5 million primarily related to a reduction in grants & awards (\$2.2 million) and conference registration (\$855,356). Also lower were accounts payable (\$517,459), which reflects lower accruals related to payroll expenses and Long-Term Debt (\$304,140) as loan obligations were satisfied during the year. Significant increases occurred in accrued liabilities (\$370,377), the current portion of LTD (\$175,681) and Postretirement benefits (\$111,727).

Net Asset Balances

As a result of the above, net assets for the year increased by \$3.1 million (11.8%) to \$29.7 million. The change was a result of a stable level of assets and a significant reduction in deferred revenue of \$3.2 million.

General Fund

Revenues for fiscal 2010 totaled \$26.4 compared to \$27.0 million in fiscal 2009. This represents a decline of \$541,856 (-2.0%) during the year when compared to last year. The reduction was essentially in four areas: 1. Meetings & Conferences (\$205,882) as a result of lower registration & exhibit fees, advertising and commissions, 2. Products & Promotions (\$168,646) due to lower material sales as library budgets were negatively impacted during the year, 3. Interest & Dividends (\$205,381) from lower interest rates and 4. Miscellaneous (\$275,457) from lower royalty income. These reductions were slightly offset by gains in Publishing related to growth in ALA Editions (\$336,852) as a result of a strong frontlist, innovative digital products and increased outreach to the international market. Also contributing were gains in Dues (\$48,944) and Contributions (\$107,094).

Expenses declined by \$320,533 (-1.2%) to \$26.4 million. The decline, both functionally and activity wise, was related primarily to Publishing and Meetings & Conferences. Publications, primarily through Products & Promotions (\$255,943), declined by \$286,099 (-9.0%) to \$2.9 million as production was adjusted to meet expected revenue projections. Meetings & Conferences expenses were down by \$125,845 (-3.9%) to \$3.1 million due to lower use of professional services (\$97,344) and facilities rental (\$146,040) at Annual Conference in Washington, DC. Note that these reductions were offset by slightly higher expenses at the Midwinter Meeting in Boston (\$96,228). Other offsets included increases in payroll (\$213,326) and general operating (\$2,182).

As a result of the above, net revenue for the year was essentially break-even with a minimal loss of (\$8,027). This total is \$221,323 less than FY 2009. Note that the Midwinter Meeting and the Annual Conference generated \$1.2 million in net revenue while Publishing generated net revenues of \$976,498 for a total of \$2.2 million to support ALA member related activities.

Division Fund

Division revenues for the year increased by \$2.0 million (14.8%) to \$15.8 million, as there were two national division conferences during the year compared to only one in FY09. As a result revenue from Meetings & Conferences was up by \$2.3 million. Both PLA and AASL had successful conferences which generated additional revenue of \$3.1 million and \$1.6 million respectively. Offsetting the gain was a decline in Dues of \$95,191 (-3.4%) as division personal membership was down 1,019 members to 53,324 (-1.9%). Reductions were also experienced in Contributions (\$79,399), Miscellaneous (\$89,375) and Publishing activities (\$12,322).

Division expenses for the year increased by \$443,615 (3.2%) to \$14.4 million. The increase can partly be attributed to the number of national conferences held during the year, as reflected in higher travel expenses (\$211,743), higher Publications expenses (\$218,164) primarily in ALTAFF (\$109,381) and higher overhead (\$509,723). It should also be noted that ALTAFF (\$57,757) and ASCLA (\$24,711) received a total of \$82,468 in small division support.

Round Tables

Round tables' revenue increased during the year by \$38,228 (10.4%) to \$405,180, while expenses declined by \$90,773 (-27.3%) to \$332,867. The result was an increase in net revenue of \$129,001 to \$163,086. It should be noted that EMIERT accounted for 53.8% of the Roundtables net revenue at \$87,671 as a result of strong CSK seal sales and great participation in the CSK breakfast., in addition to IRRRT (\$12,613) and FAFLRT (\$12,654). All of the round tables ended the year with a positive net asset balance which totaled \$967,440.

Plant Fund

The Plant Fund consists of building operations and maintenance expenses and depreciation for the headquarters buildings at 40 and 50 East Huron Street and the Washington Office. Operating expenses related to cleaning services, insurance, accounting and administrative services totaled to \$1.3 million, while depreciation related expenses increased/declined slightly to \$475,738. The result was a general fund plant fund transfer of \$1.7 million, which is approximately the same as in FY09.

Long-Term Investment Fund - Endowment

The investment net asset balance increased during the year from \$29.4 million to \$31.2 million. This was a gain of \$1.8 million or 6.2% as the portfolio benefited from an overweighting in fixed income securities during the year and a general recovery in the markets. Although interest and dividends were down slightly in FY 2010 (\$856,132 vs. \$942,331), realized gains saw a significant turnaround (-\$3.6 million to \$1.9 million).

ALA's portfolio remains conservative and defensive in nature. However, the Trustees constantly monitor the markets and have successfully adjusted the portfolio to take advantage of the prevailing conditions i.e. overweighting to fixed income securities during the year.

ALA-APA

The ALA-APA reported revenues of \$155,171 compared to \$154,703 in fiscal 2009. This represents a gain of \$468 (0.3%). Significant positive changes occurred during the year in Meetings & Conferences where the certification programs – CPLA and LSSCP – realized higher participation rates in each program. Offsetting changes included lower results in the sale of materials (\$12,835) and Contributions (\$13,776).

Total expenses declined during the year by \$63,890 (-37.6%) to \$106,057. As noted in previous communiqués regarding the APA, expenses were monitored closely throughout the year in order to match expected revenues as much as possible i.e. expenses were adjusted to match expected revenues As a result certain expected activities were not undertaken. Reductions were realized

across the board. Most of the decline in expenses was in payroll (\$26,244) where the director's position was turned into a 0.6 FTE position and the assistant's position was reduced to a 0.5 FTE position. The balance of each position was moved to support the IMLS grant activity in the Office of Research and Statistics and HRDR respectively. Outside Services were down (\$10,387) as publication related activities, specifically related to the generation of fewer salary surveys during the year.

As a result of the above activities the year ended with its first positive net revenue (\$49,114) compared to a loss of (\$15,244) in FY09 resulting in a negative net asset balance of (\$214,557). As a result of this positive results, the ALA-APA was in a position to not only make its budgeted interest payment but also a principal payment of \$10,000 towards the \$275,000 loan.

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