**TO:** PLA Board of Directors

**FROM:** Barb Macikas, Executive Director and Scott Allen, Deputy Director

**RE:** FY19 Financial Report, First Quarter

**DATE:** January 4, 2019

**ACTION REQUESTED/INFORMATION/REPORT:** Report

**FY19 Budget Overview**

PLA’s final FY19 budget includes total revenue of $3.2 million with expenses of $3.95 million, for a net loss of $749,540. The fund balance is projected to be $3.1 million at the close of FY19.

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| **Fund Balance, FY18 Close** |  | $3,866,403 |
| FY19 Revenue |  $852,413  |  |
| FY 19 Revenue - Grants |  $2,350,278  |  |
| **Total Revenue, FY19** |  | $3,202,691 |
| Expenses |  ($1,552,321) |  |
| Expenses - Grants |  ($2,033,275) |  |
| **Total Expenses, FY19** |  | ($3,585,596) |
| Overhead & Taxes | ($49,632) |  |
| Overhead & Taxes - Grants |  ($317,003) |  |
| **Total OH & Taxes, FY19** |   | ($366,635) |
| **Fiscal Year Results** |  | ($749,540) |
| **Projected Fund Balance, FY19 Close** |  | $3,116,683 |

For context, PLA’s last 10 odd (spend down) years have lost between $140,000 (FY11) and $638,000 (FY15), with the most recent year (FY17) losing $410,000. The projected net loss for FY19 is higher than usual, in part due to reduced product revenue, ad sales and other earned income but also due to investments such as the cost share for the Inclusive Internship Initiative and continued expansion of DigitalLearn.

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| **Conference Years** | **Nonconference Years** |
|  |  | FY07 | ($757,499) |
| FY08 | $747,353  | FY09 | ($626,184) |
| FY10 | $1,047,290  | FY11 | ($140,245) |
| FY12 | $1,079,528  | FY13 | ($359,323) |
| FY14 | $1,292,514  | FY15 | ($638,404) |
| FY16 | $916,109  | FY17 | ($410,726) |
| FY18 | $812,546  | FY19 | ($749,540) (projected) |

In FY19, PLA’s revenue will be split 73% to 27% grants versus dues and program income. PLA is budgeted to provide ALA with $366,000 in overhead. PLA’s contributions to ALA overhead in recent years have been $1.24 million (FY18), $310,000 (FY17), and $967,000 (FY16).

**FY19 Budget as of November 2018**

Operating Budget

As of November 2018, PLA is generally on target in its operating budget, with an operating loss of $167,000 compared to a budgeted operating loss of $171,000, which represents a 3% variance.

* Operating Revenue: At the close of the first quarter of FY19, PLA had budgeted for $218,000 in revenue but has only generated $168,000 for a negative variance of 23%. Nearly all of the shortfall can be attributed to two projects, Regional CE (3007) which is $40,000 under budget and Project Outcome Regional Training (3171) which is $8,000 under budget. In both cases, revenue allocations are not aligning with actual timing of the events and corresponding revenue, and PLA expects both projects to be near or at revenue goals later in the year. Other projects such as fundraising, *Public Libraries* ad sales, web-based CE, and publication sales are also slightly behind in revenue, primarily due to timing. A significant variance is anticipated, during the second quarter, in PLA’s Partners (3020) account because two new sponsorships were confirmed in fall 2018 ($43,000 from Capital One and $20,000 from the National Network of Libraries of Medicine). These will increase PLA’s overall operating revenue but will be offset by expenses to carry out the sponsored activity.
* Operating Expenses: At the close of the first quarter of FY19, PLA had budgeted to spend $369,000 and has spent $335,000, for a favorable variance of 9%. Projects of note include Regional CE (3007) and Public Libraries (3030), which have underspent by $37,000 and $17,000 respectively, while DigitalLearn (3188) and the Inclusive Internship Initiative Cost Share (3185) have exceeded budgeted expenses by $10,000 and $28,000 respectively. Again, PLA believes the primary reasons behind these variances relate to timing and expects to close the fiscal year on target for operating expenses.

Grant Budgets

Not including modest sponsorships and small grants, PLA began FY19 actively managing 5 private grant projects and 1 government contract, with total budgeted FY19 expenditures of $2,350,278. Funders include the Bill and Melinda Gates Foundation, the Knight Foundation, the Robert Wood Johnson Foundation, and IMLS. The number of major project grants at the start of the fiscal year was reduced from previous fiscal years, because projects such as Project Outcome, IMLS leadership and early literacy grants, and two Gates Foundation grants that had transitioned to general operating support were spent down and closed out.

By the close of November 2018 PLA had spent $607,000 in grant funds compared to a budgeted amount of $477,000, for a negative variance of 21%.

* Variance to Date: PLA’s 21% variance to date is primarily because certain expenses were not included in PLA’s FY19 budget. A large payment for the African Library and Information Associations and Institutions project (3176) was budgeted in FY18 but delayed and issued in early FY19. In addition, renewal of the IMLS-funded Inclusive Internship Initiative (3184) did not occur until after the FY19 budget process was completed. PLA will spend a total of $313,000 for this project which was not included in the final PLA FY19 budget.
* New Grants and Projected Variances: PLA anticipates receiving substantial grant funding that was not included in the FY19 budget due to timing of the budgeting process. These include grants from Google ($60,000), Microsoft Philanthropies ($400,000), and the National Network of Libraries of Medicine ($150,000). The Google grant will provide mini-grants to public libraries in all 50 states to support community events and digital literacy training focused on workforce and small business development using Google tools, as well as PLA and local library resources. The Microsoft grant will provide hardware, training and other tools primarily to rural libraries to help community members build skills for educational and employment success and so they can benefit from access to high speed internet as a result of Microsoft Airband partnerships. Most of the funded activity, and therefore the expenses, will occur in FY19, although some projects will extend into FY20. Combined with the above-mentioned IMLS Inclusive Internship Grant of $313,000, this will increase PLA’s FY19 grant spending from the budgeted $2.3 million to over $3.2 million.

Overhead

Total overhead to ALA for FY19 was budgeted at $366,000. As of November 2018, PLA had paid ALA $58,000 versus the budgeted amount of $98,000. Most overhead generated via PLA’s operating budget is related to registration fees for events that have not yet occurred in FY19. A substantial portion of the unrealized overhead in PLA’s grants is because ALA has not assessed about $23,000 in overhead from the African Library and Information Associations and Institutions project (3176) that should have occurred with the above-mentioned large payment.

Long-Term Investment (LTI)

The PLA LTI was at $1,455,604 as of November 2018, compared to $1,362,579 at the same time last year. Interest for FY19 (less bank fees) as of April is $8,155, which is slightly lower than budgeted.