Council Financial Orientation

- The ALA Budget and Decision Making Process -

Susan Hildreth – ALA Treasurer

Saturday, January 26, 2019
Seattle, WA
The Financial Process Starts and Ends with Your Actions

At Each Midwinter Meeting

• Council approves the Association’s Programmatic Priorities and Strategic Directions

At Each Annual Conference

• Council approves the Annual Estimates of Income
### Sources of ALA Revenue

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Revenue Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>16%</td>
<td>Dues</td>
</tr>
<tr>
<td>26%</td>
<td>Meetings &amp; Conferences</td>
</tr>
<tr>
<td>34%</td>
<td>Publishing</td>
</tr>
<tr>
<td>10%</td>
<td>Grants</td>
</tr>
<tr>
<td>3%</td>
<td>Interest</td>
</tr>
<tr>
<td>11%</td>
<td>Other</td>
</tr>
</tbody>
</table>

Based on the approved 2018 budget
Where Does Your ALA Dollar Go?

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advocacy</td>
<td>14%</td>
</tr>
<tr>
<td>Equity, Diversity</td>
<td>10%</td>
</tr>
<tr>
<td>and Inclusion</td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td>10%</td>
</tr>
<tr>
<td>Policy and</td>
<td></td>
</tr>
<tr>
<td>Intellectual</td>
<td></td>
</tr>
<tr>
<td>Freedom</td>
<td></td>
</tr>
<tr>
<td>Professional and</td>
<td>41%</td>
</tr>
<tr>
<td>Leadership</td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td></td>
</tr>
<tr>
<td>Member Services</td>
<td>25%</td>
</tr>
<tr>
<td>and Support</td>
<td></td>
</tr>
</tbody>
</table>

Based on the approved 2018 budget.
ALA Operating Structure

TOTAL ALA

OPERATING
- General Fund
- Divisions
- Round Tables

CAPITAL
- Headquarters Building
- DC & CHOICE Offices
- IT, Furniture & Equipment

GRANTS & AWARDS

ALA ENDOWMENT

CAPITAL PROJECTS
Guided by ALA’s Mission and Strategic Directions, the ALA Five Year Financial Plan and Annual Budget act as ALA’s financial “roadmap”
Who are Key Stakeholders in Development of ALA Budget?

- **Broad Overview**
  - Strategic Plan
  - Senior Management
  - Planning & Budget Assembly
  - Member Leaders

- **Staff View**
  - Divisions
  - Round Tables
  - Committees
  - Departments
  - Units

- **Governance View**
  - Executive Board
  - Council
  - BARC
  - Finance & Audit Committee
Budget Analysis and Review Committee
- BARC -

• ALA Council standing committee
  - six members at large from general membership
  - two members from Executive Board
  - ALA Treasurer is a member

• Has primary responsibility for detailed review and monitoring of budget

• Charged to review proposed budget as forwarded from Executive Board in spring

• Reviews current year’s budget financial performance

• Reviews resolutions from Council that may have potential financial implications

• Reports to Council on performance of budget
Council Referrals to BARC

- BARC is charged with determining financial impact, if any, of any referrals from Council
- BARC works closely with Resolutions Committee to provide a transparent review process for resolutions
- BARC reports to Council on findings of financial impact analysis
- **Recent Council Referrals to BARC**
  - Roadblocks to Diversity Leaderships
  - Fossil Fuel Investments in ALA Endowment
ALAs Annual Budget Process
How Do We Set Priorities and Allocate Resources Annually?

The ALA Budget Cycle

**Preparation (Oct-Dec)**

- ALA Staff:
  - updates Five Year Plan
  - creates revenue projections
  - develops budget requests

**Fall BARC (Oct)**

- ALA “Final” Budget presented to BARC, F&A, and Board

**Midwinter BARC (Jan-Feb)**

- Key Fiscal Year Assumptions presented to BARC.
- PBA guidance and input
- Approval by Council

**Annual Conference BARC (Jun – Jul)**

- ALA “Total” Budget presented to BARC, F&A, and Board
- Approval by Council

**Spring BARC (Apr-May)**

- ALA “Preliminary” Budget presented to BARC, F&A, and Board

With the dual goals of mission attainment and financial sustainability, the process for FY19 began in Oct-Dec 2017 (1st Quarter FY18)
Other Important Information to Know

- Final adjustments can and are made to budget between Annual Conference and Fall Executive Board meeting
  - final budget is approved at this time (October), even though new fiscal year has started

- Once final budget is approved, it is final

- New projects/initiatives introduced outside approved budget process will generally have to wait until next budget cycle
  - new projects/initiatives developed outside budget process are handled on a case by case basis and encouraged to wait until next budget cycle
The ALA Operating Agreement

- Establishes a shared responsibility for the management of the Association
- Adopted in 1976 by ALA Council, revised in 1982
- Framework for ALA General Fund and Divisions to function together effectively and efficiently
- Divisions have the autonomy, independence and freedom to pursue goals and objectives specific to them
- Collaboration/Cooperation is our primary priority as ALA and its Divisions have opportunities...to stimulate and build on each other’s strengths
An Important Aspect of the Operating Agreement

The Overhead AKA Indirect Cost Rate

- Covers mandated central services i.e. Human Resources, Accounting, Building, Office Space, Legal etc.
- The rate is calculated annually in Spring/Early Summer via a financial model.
- The calculation is determined by taking the indirect costs generated by the model for ALA's revenue generating units - Conferences and Publishing divided by their revenue.
The FY 2019 Indirect Cost Rate – 26.5%
- Applied to FY 19 & FY20 Budgets -

<table>
<thead>
<tr>
<th>Revenue Category</th>
<th>Calculated</th>
<th>% of Rate</th>
<th>Effective Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues</td>
<td></td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Publishing*</td>
<td>26.5%</td>
<td>50%</td>
<td>13.25%</td>
</tr>
<tr>
<td>Meetings &amp; Conferences</td>
<td>26.5%</td>
<td>100%</td>
<td>26.5%</td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

*Includes Sale of Materials, Advertising and Subscriptions
Source: Rate application - ALA Operating Agreement page 8
General Fund Net Revenue Sources – 2018

- and other support -

<table>
<thead>
<tr>
<th></th>
<th>Revenues</th>
<th>Overhead Support</th>
<th>Total Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest &amp; Earnings</td>
<td>$1,110,410</td>
<td>$0</td>
<td>$1,110,410</td>
</tr>
<tr>
<td>Membership Dues - Net</td>
<td>$5,272,729</td>
<td>$0</td>
<td>$5,272,729</td>
</tr>
<tr>
<td>Publishing - Net</td>
<td>$264,796</td>
<td>$3,208,395</td>
<td>$3,473,191</td>
</tr>
<tr>
<td>Meetings &amp; Conferences - Net</td>
<td>$287,050</td>
<td>$2,344,365</td>
<td>$2,631,415</td>
</tr>
<tr>
<td>Other</td>
<td>$550,570</td>
<td>$2,748,577*</td>
<td>$3,299,147</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$7,485,555</td>
<td>$8,301,337</td>
<td>$15,786,892</td>
</tr>
</tbody>
</table>

Source: Internal financial reports - final close
*Overhead contribution from Divisions, Roundtables and Grants
1st Quarter Financial Results @ 11-30-18
Total ALA
Key Initiatives/Additional Investments in FY 19 Budget

• Enhance fundraising capacity
  ✓ Reallocate existing staff positions to support 2.5 additional FTE
  ✓ Major gifts director, prospect researcher and support

• Support 21\textsuperscript{st} century advocacy efforts
  ✓ CRM (customer relations management) system for advocacy information
  ✓ Support for enhanced outreach and engagement including “fly-in” event early in budget season for strategic legislative contacts

• Strengthen IT infrastructure and services
  ✓ First year of three-year planned investment for capacity and customer service
  ✓ Improved access to services, communication and information for members, staff and public
Net Assets is the difference between what we have and what we owe
Additional Useful Resources

- Member Leaders
  - Treasurer shhildreth@comcast.net
  - BARC Chair

- ALA Staff
  - Executive Director
  - Division Executive Directors
  - CFO
  - ALA Finance Staff

- Online Webinars and Other Training
  - www.ala.org/aboutala/governance/financialdata
  - www.ala.org/aboutala/governance/financialdata/finlearn