

# **Council Financial Orientation**

*- The ALA Budget and Decision Making Process -*

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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



16%  
Dues

26%  
Meetings &  
Conferences

34%  
Publishing

10%  
Grants

3%  
Interest

11%  
Other

Based on the approved 2018 budget

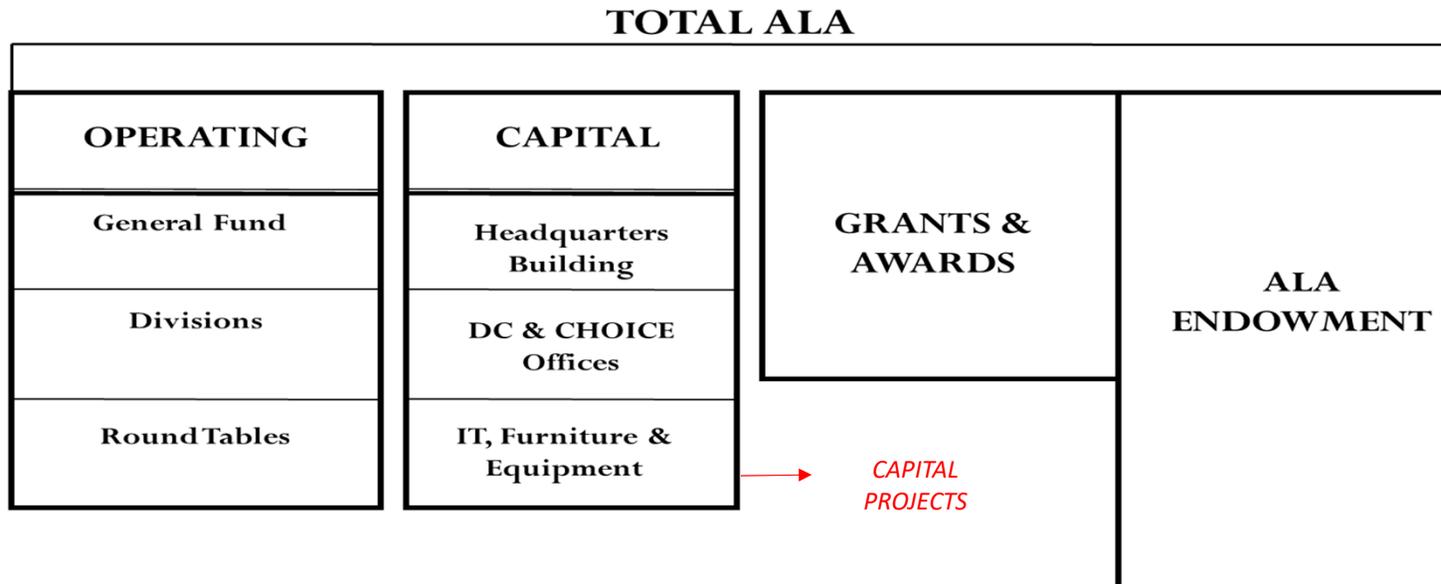
# Where Does Your ALA Dollar Go?



14% Advocacy	10% Equity, Diversity and Inclusion	10% Information Policy and Intellectual Freedom	41% Professional and Leadership Development	25% Member Services and Support
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Based on the approved 2018 budget

# ALA Operating Structure



# The ALA Strategic Directions & Five Year Financial Plan

## How Do We Achieve the ALA's Mission and Fund It?

**ALA Mission**

- ALA Key Action Areas**
- Advocacy for Libraries & the Profession
  - Diversity
  - Education & Lifelong Learning
  - Equitable Access
  - Intellectual Freedom
  - Literacy
  - Organizational Excellence
  - Transforming Libraries

- ALA Strategic Directions**
- Advocacy
  - Information Policy
  - Professional & Leadership Development
  - Equity, Inclusion and Diversity

**Core Organizational Values**

**ALA Five Year Plan**

	2017	2018	2019	2020	2021
<b>REVENUE</b>					
Operating Revenue	1,100,000	1,150,000	1,200,000	1,250,000	1,300,000
Investment Income	50,000	50,000	50,000	50,000	50,000
Other Revenue	100,000	100,000	100,000	100,000	100,000
<b>Total Revenue</b>	<b>1,250,000</b>	<b>1,300,000</b>	<b>1,350,000</b>	<b>1,400,000</b>	<b>1,450,000</b>
<b>EXPENSES</b>					
Operating Expenses	1,100,000	1,150,000	1,200,000	1,250,000	1,300,000
Investment Expenses	50,000	50,000	50,000	50,000	50,000
Other Expenses	100,000	100,000	100,000	100,000	100,000
<b>Total Expenses</b>	<b>1,250,000</b>	<b>1,300,000</b>	<b>1,350,000</b>	<b>1,400,000</b>	<b>1,450,000</b>
<b>Net Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

ALA Five Year Plan

**ALA Fiscal Year 2017 Budgetary Ceiling**

	Operating Fund*	Reserve	Board Fund	Library & Branch	Book Loan Activities	TOTAL ALA
<b>(1) TOTAL ALA BUDGETARY CEILING (per approval)</b>	<b>\$6,525,362</b>	<b>\$6,957,897</b>	<b>6,955,553</b>	<b>6,413,228</b>	<b>966,268</b>	<b>64,278,228</b>
<b>(2) Net Asset Balance (projected at end of FY 2016)</b>		<b>14,764,327</b>	<b>6,068,868</b>			<b>26,899,983</b>
<b>FY 2017 Budgeted Revenues (Before transfers)</b>	<b>25,874,553</b>	<b>13,611,230</b>	<b>661,906</b>	<b>6,413,228</b>	<b>1,224,897</b>	<b>47,785,794</b>
<b>FY 2017 Budgeted Revenues (Transfers)</b>						
Interest & Dividend Income to General Fund	661,906					661,906
Spectrum Interest & Dividends	65,000	12,200				77,200
Life Member Fees	13,950	0				13,950
Continuing Members	13,950	0				13,950
<b>(3) Total Resources (Budgeted plus transfers)</b>	<b>26,618,362</b>	<b>13,623,430</b>	<b>661,906</b>	<b>6,413,228</b>	<b>966,268</b>	<b>47,883,228</b>

ALA Annual Budget

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

- Governance View

- Executive Board
- Council
- BARC
- Finance & Audit Committee

- Staff View

- Divisions
- Round Tables
- Committees
- Departments
- Units



# Budget Analysis and Review Committee

- BARC -

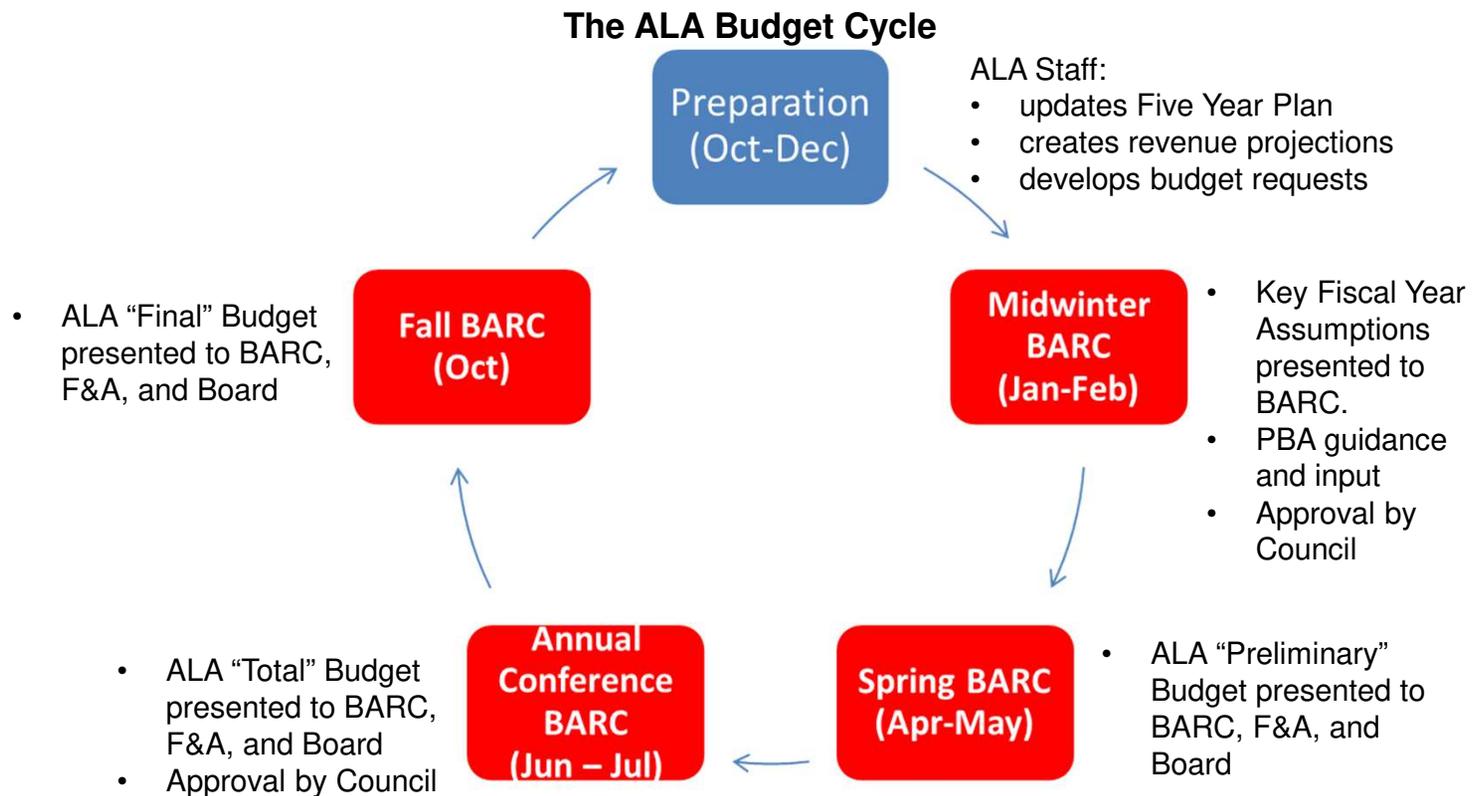
- ALA Council standing committee
  - six members at large from general membership
  - two members from Executive Board
  - ALA Treasurer is a member
- Has primary responsibility for detailed review and monitoring of budget
- Charged to review proposed budget as forwarded from Executive Board in spring
- 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

## ALA's Annual Budget Process

# How Do We Set Priorities and Allocate Resources Annually?



With the dual goals of mission attainment and financial sustainability, the process for FY19 began in Oct-Dec 2017 (1<sup>st</sup> 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 -

	Calculated	% of Rate	Effective
<u>Revenue Category</u>	<u>Overhead Rate</u>	<u>Applied</u>	<u>Rate</u>
Dues	26.5%	NA	NA
Publishing*		50%	13.25%
Meetings & Conferences		100%	26.5%
Contributions		NA	NA
Miscellaneous		NA	NA

\*Includes Sale of Materials, Advertising and Subscriptions  
 Source: Rate application - ALA Operating Agreement page 8

# General Fund Net Revenue Sources – 2018

- and other support -

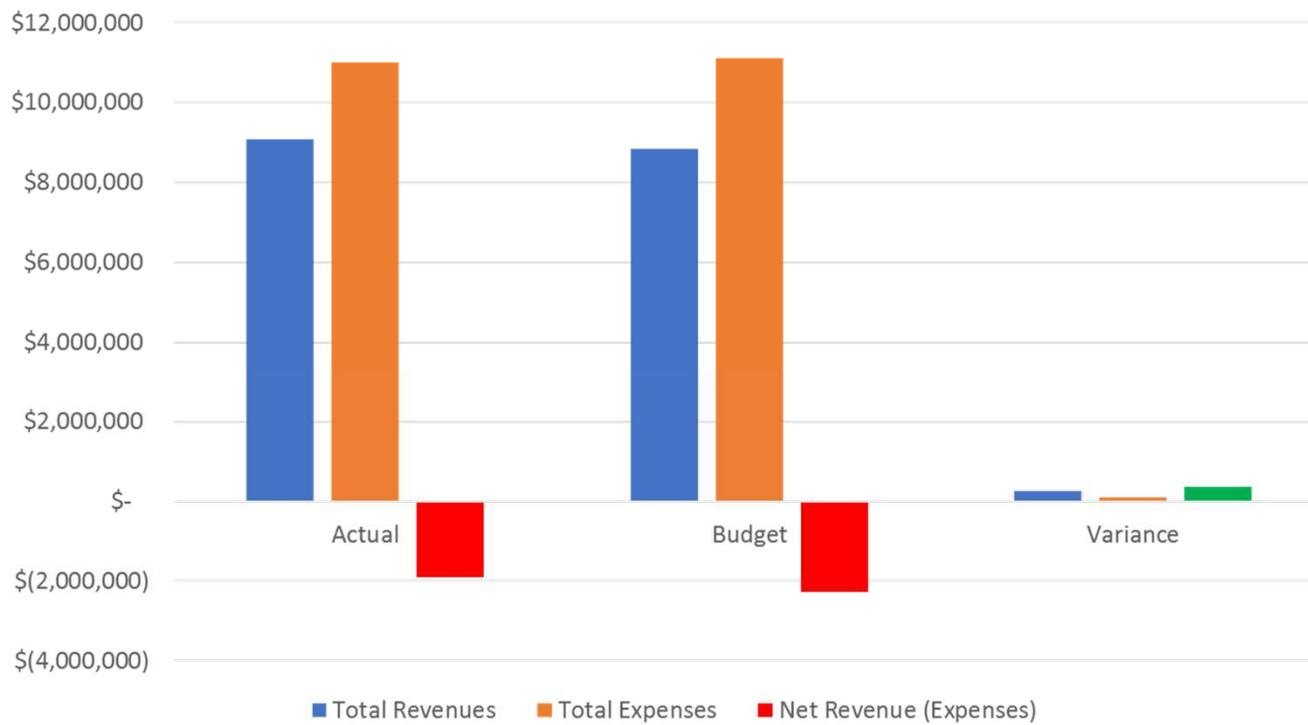
		<b>Overhead</b>	<b>Total</b>
	<b><u>Revenues</u></b>	<b><u>Support</u></b>	<b><u>Support</u></b>
<b>Interest &amp; Earnings</b>	\$ 1,110,410	\$ 0	\$ 1,110,410
<b>Membership Dues - Net</b>	\$ 5,272,729	\$ 0	\$ 5,272,729
<b>Publishing - Net</b>	\$ 264,796	\$ 3,208,395	\$ 3,473,191
<b>Meetings &amp; Conferences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

Source: Internal financial reports - final close

\*Overhead contribution from Divisions, Roundtables and Grants

# 1<sup>st</sup> Quarter Financial Results @ 11-30-18

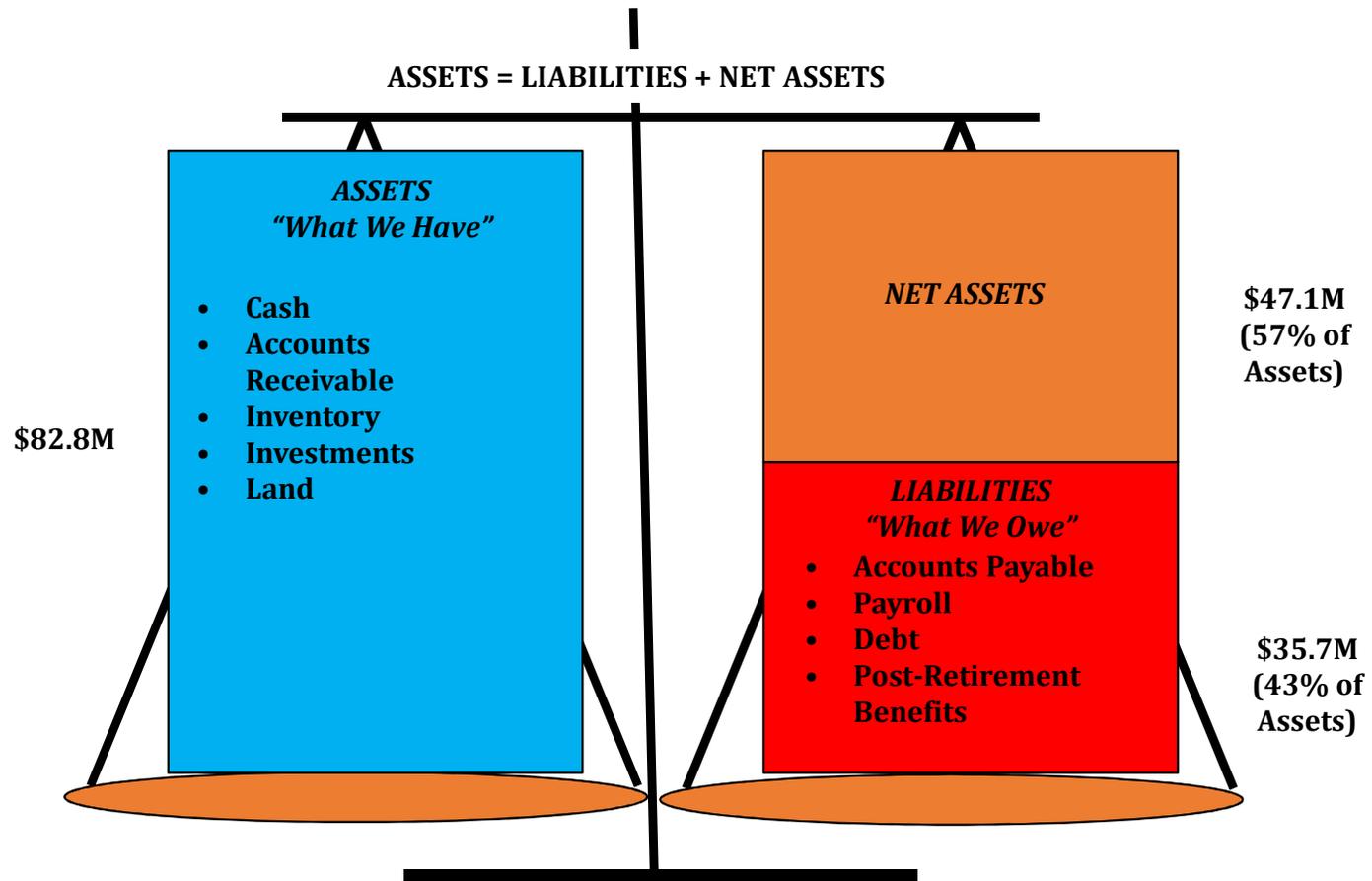
## Total ALA



# 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<sup>st</sup> 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

# ALA's Balance Sheet as of FYE 2018



*Net Assets is the difference between what we have and what we owe*

# Additional Useful Resources

- **Member Leaders**
  - Treasurer [shildreth@comcast.net](mailto:shildreth@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](http://www.ala.org/aboutala/governance/financialdata)
  - [www.ala.org/aboutala/governance/financialdata/finlearn](http://www.ala.org/aboutala/governance/financialdata/finlearn)
  - [http://www.ala.org/aboutala/sites/ala.org/aboutala/files/content/governance/financialdata/financial\\_rpts/ALA Financial Handbook Final15.pdf](http://www.ala.org/aboutala/sites/ala.org/aboutala/files/content/governance/financialdata/financial_rpts/ALA_Financial_Handbook_Final15.pdf)