**Public Library Association - FY21 – May 2021 Financial Narrative (third quarter/Q3)**

**FY21 Operating Budget as of May 2021**

|  |  |  |  |
| --- | --- | --- | --- |
| **GENERAL FUND (12-401)*****Including Conference*** | **May 2021****YTD Budget** | **May 2021****YTD Actual** | **May 2021 Variance** |
| **Total Revenues** | $551,950 | $592,329 | $40,379 |
| **Total Expenses before OH and tax** | ($935,376) | ($636,119) | $299,257 |
| **Overhead and Tax** | ($37,492) | ($24,841) | $12,651 |
|  |  |  |  |
|  | **YTD Budget** | **YTD Actual** | **Variance** |
| **Net Revenue (Expense)** | ($420,918) | ($68,631) | $352,287 |
| **Beginning NAB** |  | **Ending NAB** |  |
| $4,664,935 |  | $4,596,305 |  |
|  |  |  |  |
| **LONG TERM INVESTMENT (34-401)** | **May 2021****YTD Budget** | **May 2021****YTD Actual** | **May 2021 Variance** |
| **Total Revenues** | $29,776 | $39,679 | $9,904 |
| **Total Expenses** | $6,318 | $8,429 | ($2,911) |
| **Net Revenue (Expense)** | $23,458 | $31,250 | $7,792 |
| **Beginning Balance** |  | $1,761,881 |  |
| **Endowment Gain/Loss** |  | $269,339 |  |
| **Ending Balance** |  | $2,031,220 |  |

Net Asset Balance: The Q3 reports are the first reports of FY21 in which ALA has updated fund balances. PLA began FY20 with $3,493,338 in its fund balance, and primarily due to the success of PLA 2020 in Nashville, PLA closed FY20 with a fund balance of $4,664,935. As *budgeted,* PLA should close FY21 with a roughly $530,000 loss to its fund balance, dropping it down to about $4,135,000. However as of Q3 (see below), PLA’s net loss is on track to be much smaller than budgeted.

Operating Budget: As of May 2021, PLA has an actual net loss of $68,631, compared to a budget net loss of $420,918. (FY21 is a non-conference year for PLA, so PLA is budgeted for a total net loss of about $530,000.) With only three months of the fiscal year remaining, PLA is expected to stay well below the budgeted loss for all of FY21. This favorable position is due to the following:

* Dues income continues to exceed budget substantially. Dues revenue was exactly on target as of Q1, and about one-third *over* budget as of Q2 and Q3. For Q3, PLA is 36% over budget, with actual dues revenue of $395,762 compared to budget revenue of $290,400. As noted previously, ALA divisions budgeted dues income at about 2/3 of a normal year, anticipating that the COVID-19 pandemic and other factors would reduce membership. While a normal non-conference year might yield $550,000 in PLA member dues, only $387,200 was budgeted. At the current rate, PLA is likely to see dues between $510,000 and $530,000, which is lower than usual but not nearly as low as budgeted.
* PLA’s paid webinars have generated $55,621 in revenue against budgeted revenue of $37,500. On top of that, PLA received a $100,000 fund transfer from the Washington Office to underwrite PLA’s census data literacy project work, credited to PLA’s Web CE account (because most activity will be webinars).
* Live professional development activities were optimistically budgeted for FY21, and they will not be held. These include space planning, Equity Starts with Us, and Project Outcome trainings. Since these events are not being held, expenses have been minimal, and two virtual programs have helped generate missing revenue for PLA.
	+ The new EDISJ Leadership Lab series, offered virtually, generated about $42,765 in revenue, nearly hitting the revenue target for the live EDISJ trainings, which was $50,000. Due to lower expenses, however, the net stands at $30,219, which is double the budgeted net of $15,172.
	+ The Advancing Family Engagement virtual classroom series is exactly on target for FY21, with $18,600 in revenue from its second cohort. The third cohort starting in September 2021 is budgeted for an additional $18,000 in revenue but will exceed this goal, because PLA has registered nearly 100 participants instead of about 60 as before. The increase in revenue will show up in August 2021 reports and is difficult to predict due to variation in member, nonmember, and group rates.

* As reported for Q2, publication revenue is also a bright spot, with sales of general publications exceeding budgeted revenue ($23,744 vs $4,800) and the same with Every Child Ready to Read ($22,487 vs $3,375). Factoring in expenses across both projects, net revenue as of Q3 is at $30,129 compared to budgeted net revenue of $1,282.
* PLA’s only active conference account, Conference Planning, is budgeted to spend $94,500 during FY21 on conference promotion, site visits, facility deposits and other “off year” expenses. As of May 2021, only $36,038 had been spent, and it is projected this account will end with around half of its budgeted expenses.
* Other bright or potential bright spots include the Partners (fundraising) account, which has actual net revenue of $9,643 against budgeted net revenue of $3,275. Also, DigitalLearn is likely to show improvement in Q4; the project is budgeted to lose $83,008 due to ongoing course development and maintenance costs, but some of its contractor costs will be shifted to the new AT&T grant project, and there are currently 3 library systems in the process of purchasing DigitalLearn subsites, for a potential $45,000 in additional revenue (which is likely to show up in FY22).

Otherwise, spending on administrative costs (staff, board management) continues to be about 10% under budget. Public Libraries magazine, projected to lose $59,305 by mid-year, is showing a loss of $38,648 to date but may end closer to budget once expenses catch up.

Long Term Investment: PLA began FY21 with a balance of $1,761,881, a $219,794 increase from the beginning balance of FY20. Similar to FY20, the investment is doing well in FY21. Interest revenue is at $39,679 as of May 21, which is nearly $10,000 above the budgeted amount for this time period. Service charges to manage the investment are logically exceeding the budgeted amount, at $8,429 against a budget of $6,318. Endowment gain is at $269,339, which added to the beginning balance leaves the current balance at $2,031,220.

Grant Budgets: As of May 2021, PLA had spent $1,217,414 in grant funds compared to a budgeted amount of $889,635, for a difference of $327,779.

Grant spending is far exceeding budget because PLA only budgeted for the Gates Legacy grant, yet confirmed multiple grants after FY21 budgeting “closed” in the late summer of 2020 and into FY21. Revenue and expenses for many of those grants started in FY21, although not budgeted.

|  |  |  |  |
| --- | --- | --- | --- |
| **Funder** | **Project** | **Grant Period** | **Amount** |
| Institute of Museum & Library Services | Engaging Latinx Communities | Sep 2020 – Dec 2021 |  $ 99,948  |
| Microsoft Philanthropies | Digital Skilling in Urban Communities | Sep 2020 – Dec 2021 |  $ 100,000  |
| AT&T | Digital Literacy Project | May 2021 – Aug 2022 |  $ 461,362  |
| AT&T | Digital Citizenship Project | Aug 2021 – Dec 2022 |  $ 228,657  |
| WGBH/National Science Foundation | Computational Thinking | Aug 2021 – Mar 2023 |  $ 55,000  |

* Spending in the grant projects *which were included in the FY21 budget* (Gates funds) are running ahead of budget: a total of $867,182 has been spent against a budget of $714,635. These funds support about half of PLA’s staff salary and benefits but also include professional services, such as continued support of Project Outcome and PLA’s new data initiatives, strategic planning consulting, and PLA’s conference manager. Staff costs are near budget, however professional services have exceeded budget significantly. Almost $490,000 has been spent as of May 2021 against a *full-year* budget of only $150,000. Some of this will be offset because almost none of the $126,000 budgeted for travel/meal/meetings will be spent. Also, the consulting/professional services overage includes costs for PLA’s data projects, which are intended to generate revenue in future years.
* Other active grants (health insurance promotion, Latinx family engagement project, Microsoft projects, short story project completion, and AT&T projects) are generally on track.

Overhead to ALA: Between the operating budget and grants, PLA is budgeted to provide ALA with about $157,000 in overhead in FY21. As of Q3, ALA has assessed $48,000, or about 30% of that amount.

* Overhead in PLA’s operating budget, which generally comes off of registration revenue, is assessed as revenue comes in, and PLA has been charged $24,841 against a budgeted amount of $37,491 (a $12,651 difference). This is in part due to cancellation of in-person trainings as noted above (no event = no registration fee = no overhead). However, also noted above, PLA’s success with webinars and virtual events will continue to generate overhead, and PLA may come in closer to budgeted overhead than expected.
* PLA only budgeted $102,000 on overhead fees for grants spending, because as noted above, only one grant was actually included in the budget.
	+ Overhead fees on grants vary based on funder guidelines, but every active PLA grant has some overhead budgeted, ranging from about 7% (the health insurance project) to 14% (the IMLS grant), with most (Microsoft, Gates, AT&T) at 12%.
	+ As of Q3, PLA has been assessed $23,262 in overhead on grants.
	+ Assessment of grant revenue has been inconsistent, so the figure above does not reflect the amount to which ALA is entitled. As of Q3, PLA estimates an additional $119,000 in overhead *should* have been assessed, based on grant spending and approved overhead rates in each grant. That puts the true amount of overhead from PLA grant spending at $142,262, which is about $40,000 over budget for the entire year.