**TO:** PLA Board of Directors

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

**RE:** FY19 Financial Report, as of August 2019, second close

**DATE:** October 7, 2019

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

**FY19 Budget Overview**

PLA’s final FY19 budget included total revenue of $3.2 million with expenses of $3.95 million, for a net loss of $749,540. The fund balance was projected to be reduced from $3.8 million to $3.1 million at the close of FY19.

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| **BUDGETED FY19 NUMBERS** |  |  |
| **Fund Balance, FY18 Close** |  | $3,866,403 |
| FY19 Revenue | $852,413 |  |
| FY19 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 |

**FY19 Budget Status as of August 2019, second close\***

Operating Budget

As of August 2019, PLA has an actual operating loss of $333,816, compared to a budgeted operating loss of $749,540. This significant (55%) variance is due to lower expenses and increased sponsorship revenue that was not anticipated during the budgeting process.

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|  | **Aug 2019**  **YTD Budget** | **Aug 2019**  **YTD Actual** | **Aug 2019 Variance** | **Aug 2019 Variance %** |
| **Total Revenues** | $852,413 | $869,557 | $17,144 | 2% |
| **Total Expenses before OH and tax** | $1,552,321 | $1,181,774 | $370,547 | 24% |
| **Contribution Margin** | ($699,908) | ($312,217) | $387,691 | 55% |
| **Overhead and Tax** | $49,632 | $21,599 | $28,033 | 56% |
|  |  |  |  |  |
|  | **YTD Budget** | **YTD Actual** | **Variance** | **Variance %** |
| **Net Revenue (Expense)** | ($749,540) | ($333,816) | $415,724 | 55% |
| **Beginning NAB** | **Ending NAB, Budget** | **Ending NAB, Actual** | **Increase in NAB** |  |
| $3,866,402 | $3,116,862 | $3,532,586 | -8.6% |  |

* Operating Revenue: At the close of August 2019, PLA had budgeted for $852,413 in revenue and has an 2% positive variance, with actual revenue of $869,557. Dues closed the fiscal year about $20,000, or 4%, under budget, and revenue from Every Child Ready to Read and Project Outcome Regional Trainings were down $7,000 (-30%) and $80,000 (-90%) respectively. However, revenue for other publications including PLDS, webinar sales, and national meeting preconferences ended FY19 over budget. PLA exceeded its projected donation revenue in the PLA Partners budget by over $23,000, raising about $65,000. In addition, PLA benefited from two unanticipated sponsorships ($43,000 from Capital One, and $61,000 from Google) as well as a $100,000 payment from legacy grant partners to support PLA’s share of anticipated convenings.
* Operating Expenses: At the close of August 2019 PLA had budgeted to spend $1,552,322 and has spent $1,131,775, for a favorable variance of 27%. Planning and promotion of the PLA 2020 Conference is under budget by over $97,000, due to timing and reduced reliance on print materials and giveaways. Regional education events and Project Outcome trainings are under budget by a combined $125,000 because they did not occur. General PLA activities typically charged to Administration and Service to Members were able to be charged to grants, resulting in nearly $90,000 in reduced expenses for the PLA operating budget. Finally, expenses for PLA publications (Public Libraries, PLDS, ECRR) were kept under budget.

Grant Budgets

By the close of August 2019, PLA had spent $2,613,329 in grant funds compared to a budgeted amount of $2,350,278. This large variance ($263,051) is primarily due to three factors. First, a large payment for the African Library and Information Associations and Institutions (AfLIA) project (3176) was budgeted in FY18 but delayed and issued in early FY19. Second, renewal of the IMLS-funded Inclusive Internship Initiative (3184) did not occur until after the FY19 budget process was completed. Finally, a $150,000 grant from the National Network of Libraries of Medicine (NNLM) was not budgeted in FY19 due to timing, but was received and fully spent during the course of the year. (Through another new grant project, PLA received $388,416 from Microsoft Philanthropies. However, revenue and expenses were not realized in FY19 and will show up in FY20).

PLA Long-term Investment

As of August, PLA’s long-term investment stood at $1,455,604 compared to $1,362,579 at the same time last year. We estimate interest of approximately $49,000. The PLA Budget & Finance Committee has recommended the interest be reinvested in the long-term investment rather than used for program development as in the past. PLA is also transferring $49,999 from its operating budget to its long-term investment as part of the FY19 closing process.

Overhead

Total overhead to ALA for FY19 was budgeted at $366,635. As of August 2019, By the third close, PLA will have paid ALA a total of $264,133. The shortfall is primarily due to the decision to shift spending from the Gates Legacy grant (which contributes 12% on all expenses to ALA overhead) to the Gates GenOps grant, which postponed $127,139 in overhead until spending on the Legacy grant resumes. (Increased spending for the AfLIA and NNLM grants, noted above, added to PLA’s overhead payments, which is why the shortfall is less than the $127,139 in total.)