

BARC members,

Our meetings were so full that I thought it might be best to provide a written summary in order to maximize our time together for any questions or discussions that you may wish to have. Lessa and Trevor are welcome to add to my notes.

#### Preliminary FY21 Budget

The F&A Subcommittee reviewed the preliminary FY21 budget and the Board sent the budget onto you for a deeper analysis. We realize this is the first look at the forthcoming budget but there were some concerns raised by board members that might assist you in analyzing the details. We ask that you look at these issues closer as well as any additional questions or concerns you might have.

- Two units have not submitted their preliminary budgets and while small, it still worries us that we may not have a full picture.
- The revenue goal for Publishing is too ambitious in our opinion and we have noted that to Mary Mackay who said that it does need to be revised.
- The budget was built on the anticipation of a dues increase that would add \$90,000 to the general fund. The Board passed a motion that we should not increase dues in FY21 in anticipation of an economic recession. The GF will need to be revised.
- The bulk of the preliminary FY21 budget was done before the impact of COVID19 and the cancellation of Annual and other ALA professional development activities. This certainly impacts any type of planning but does call for conservative and prudent financial decisions.
- While ALA is applying for CARES Act funds and submitting an insurance claim for Annual's cancellation, at this time, it is not known exactly how much and budget implications.
- Midwinter projections may also be too ambitious.
- Cost containment and personnel budgets are just being developed but may warrant a closer look.

#### FY20 – Five Month Review

F&A reviewed the first 5 months of FY20 – end of January financials. We are running two deficits as you are aware – the planned strategic investment deficit of \$2.8 million and the unplanned deficit of approximately \$1.7 million. There are efforts to reduce that deficit but frankly, this is a bad year with the COVID19 situation. Of course health is our primary concern but this will impact FY20 and FY21.

#### Liquidity/Short Term Cash

We continue to be in a fragile cash situation in which our short term assets or cash is very low. Our net asset balance is very good at \$44 million as of the end of January but our working capital, as reported at midwinter has decreased from \$17 million to \$4 million. We have a \$4.5 million credit line and currently have 1.5 million drawn upon that credit. We will pay off the remaining \$900,000 of our loan in August. With the cancellation of Annual, that means we do not have a flow of cash into the organization. Once the HQ move is completed, ALA will receive another \$250,000 which will help. Denise is also checking on the possible contingency payment should the new building owner secure city permits or rent the space to local health providers or a Fortune 250 company. I know that our interim CFO is watching this very carefully. The Finance Office is examining the CARES Act as ALA will qualify for a loan then loan forgiveness. This will assist with payroll funding. In addition, the Finance Office with Conference Services has notified our insurance carrier of the intent to file a claim due to the Annual Conference Cancellation. More on this later.

Regarding cash flow, one potential consideration is to cease or defer endowment transfers. As you know, this has happened in the past. The reasoning is that it moves funds from short term to long term assets which is a good strategy but when our rolling short term cash is necessary to maintain operations then this action might be required. We encouraged our Executive Director and CFO to discuss this with Divisions/internally.

### Strategic Investment Budget

I know this is an area that BARC is tracking closely and looking at ROI. We had an update on the three areas of strategic investment. We were most impressed with the impact that our Public Policy and Advocacy is having on legislative policy and federal funding. The two Fly In days are resulting in positive action.

The Development Office is struggling with staff turnover but they secured some beneficial grants.

Information Technology is making progress on initiatives, however, IT expenses continue to be of concern. The IT budget is spread across the IT operations, General Fund, and moving budget so you have a new report that helps to combine the overview budget. F&A and the Board discussed accountability for IT expenditures and this is likely of interest to BARC as well.

### Finance Office

F&A and the Board expressed concerns regarding late and incomplete reports for the past few months which is due to the new outsourcing contact. In addition, the Board discussed communication, reports, and transparency regarding financial matters. This will continue to be my focus working with the Interim CFO.

### Dues Increase

F&A forwarded to BARC the dues increase proposal for your analysis. As noted though, the Board moved that we should not increase dues in FY21. However, I recommend that you review the data and trends regarding membership during our meeting.

I look forward to our discussions!

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